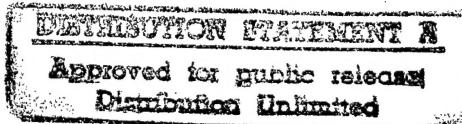




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# ***JPRS Report***



## **East Europe**

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# East Europe

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14 January 1993

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**CR, SR Tax Reform To Go Into Effect on 1 Jan**  
*93CH0191A Prague HOSPODARSKE NOVINY in Czech*  
*10 Nov 92 pp 1-2*

[Article by st, prav, job, and hr: "Neighborly Relations and Cooperation by Treaty; 1 Jan 1993 Effective Date of Tax Reform in Both CR and SR Confirmed"]

[Text] *The CR and the SR Governments yesterday in Zidlochovice agreed on a Treaty on Good Neighborliness, Friendly Relations, and Cooperation. They also decided to make the tax reform in both republics effective on 1 January 1993. Furthermore, they determined not to sign an agreement on 28 November in Krakow on free trade with Poland and Hungary but, instead, to wait until the independent republics are established.*

The just-concluded umbrella treaty between the CR and the SR exceeds the framework of all international agreements. Among other things, it gives institutional foundation to broad consultation and proceeds from the principle of free movement of citizens in both republics. It will have a one-year period of cancellation notice and be valid for the internationally customary period of 15 years. If not abrogated, it will be automatically extended for another five years.

**Additional Treaties**

According to information from Prime Ministers Vaclav Klaus and Vladimir Meciar, the third meeting of the two governments concluded the following treaties and agreements: on preventing double taxation in the area of income and property taxes, in the area of inheritance and gift tax, on promoting and protecting investments, on mutual arrangements concerning relations in the foreign currency area, on cooperation in transport and communications, agriculture, the food industry, and forest and water management.

Although the parties managed to conclude a treaty on the manner of arranging relations arising from the division of the Czechoslovak armed forces, they were not quite successful in reaching agreement on problems in the defense area. Further work will be needed on the issue of a customs and tax frontier.

**Division of Assets**

Among the subjects eliciting the most discussion was the draft of a constitutional law on dividing the assets of the federation, where, according to Vaclav Klaus, the positions of the two sides have come closer together. Even though the Slovak Government came to the talks with critical comments, the Czech representatives generally agreed with them, which, according to the Czech prime minister, offers a decent chance for the draft to pass in the Federal Assembly. As we were told by Jozef Zieleniec, foreign affairs minister of the Czech Republic, federal assets will be apportioned first on the territorial principle, and then according to the secondary principle of division in a two-to-one ratio. Assets to be divided according to the historical principle will definitely have to be determined item by item.

But, of course, this involves a relatively small value, overall some 1.5 percent of the total volume. In regard to claims and collection on them, Slovak Prime Minister Vladimir Meciar added that those held by the Czechoslovak State Bank will be divided in the two-to-one ratio. Czechoslovak Bank of Commerce claims will be divided according to special regulation, separately by each item. He said that the Slovak Government proposed and the Czech side did not object that the principle to be used in handling the division of claims is the location of the user. He acknowledged that that method requires laborious documentation. A supplementary agreement is to be added to the law on asset division. Participants in drafting it will be a six-member joint commission composed of CSFR Prime Minister Jan Strasky; CR Deputy Prime Minister Ivan Kocarnik; Czech Minister of Privatization Jiri Skalicky; Slovak Finance Minister Julius Toth; Marian Tkac, vice governor of the Czechoslovak State Bank; and a plenipotentiary of the Slovak Republic Government. The commission is to report the first results of its work by 23 November.

**Taxes, Customs, Foreign Currency**

Although there was some thought of postponing the tax reform, the original target date of 1 January 1993 for it to go into effect was confirmed. Ivan Kocarnik, CR deputy prime minister and finance minister, told HOSPODARSKE NOVINY that debate on this point was very brief after the Slovak Government reported its decision of last Friday to introduce a tax reform on that date. The customs and tax frontiers that occasioned an extended debate with the aim of preventing tax evasion and fraud have not yet been defined in any definitive manner. Vladimir Meciar observed that the government presidiums are to meet within two weeks, and the ministers involved will present a draft of a comprehensive course of action that will respect the interests of both republics. The solution must take into account the technical problems of enforcement. Vaclav Klaus added that the goal is to find an internal frontier, meaning a method of control by finance authorities without physically checking the goods.

In a conversation with HOSPODARSKE NOVINY, Ivan Kocarnik added that the Czech side proposed this solution as a provisional one and that, in the future, it expects customhouses to be set up. "Yet there we see expression of the will to seek an in-between solution by moving the customs frontier toward the purchaser." I. Kocarnik explained that finance authorities would examine customs papers and similar documents to have a basis for determining deductibility of value-added tax and consumer taxes.

The mutual regulation of foreign currency relations that the republican governments agreed upon in Zidlochovice is, according to Vaclav Klaus, a supplement to the currency agreement and will be in force for the same period as that document.

Again HOSPODARSKE NOVINY asked Ivan Kocarnik to fill us in. He said that the primary goal of this agreement is to bridge over the current provisions of the foreign

## INTERNATIONAL AFFAIRS

currency law, which is assumed to become part of the legislation of both republics, so as to make possible the free movement of goods, labor, and capital. According to I. Kocarnik, the document prevents a more massive shift of foreign currency holdings from the Czech lands to Slovakia because banks will permit the purchase of hard currency to permanent residents, thus, in effect, from the foreign currency reserves of one or the other republic. In conclusion, the Czech finance minister said that entrepreneurial entities, too, are subject to a number of provisions designed to restrict shifting foreign currency holdings from

one republic to the other, but that, nevertheless, it is not possible to prevent speculative movements entirely.

On the subject of protecting investments, V. Klaus said that it extends to all investments, thus including shares acquired in the first wave of coupon privatization. The agreement forbids any kind of expropriation or nationalization.

The meeting of governments was evidently the last one in this composition, given the future of Czechoslovak-Slovak relations. Within the fortnight (on 23 November), only the presidiums of both governments will meet, in Slovakia.

**New Foreign Policy Adviser for President Zhelev**  
*93P20072A Sofia DUMA in Bulgarian 6 Jan 93 p 2*

[Unattributed article: "The President Will Have a New Foreign Policy Adviser"]

[Text] Kamen Velichkov, a career diplomat, will probably be the new foreign policy adviser for the president of the Republic, Dr. Zhelyu Zhelev. Velichkov studied at the Moscow State Institute for International Relations. He has served for two years as secretary at the Bulgarian Embassy in Tel Aviv. He speaks English, Arabic, Russian, and French.

**Privatization Agency Officials Present Views**

*93BA0365A Sofia IKONOMICHESKI ZHIVOT  
in Bulgarian 2 Dec 92 pp 6-7*

[Report by Neno Nenov, Tamara Burlakava, and Diana Khristozova: "Privatization Is the Topic of the Day"]

[Text] The topical subject is that of privatization of state and municipal property. It accounts for 90 percent of the country's economy. This is excessive, for which reason, along with other things, it hinders the further course of reform. The acceleration of privatization processes is no longer a wish. The problem is knocking at our doors and reminding us of its existence on a daily basis.

That is why we turned to the most competent and only authority in this area in our country—the Privatization Agency. Agency managers and experts were kind enough to provide exhaustive answers to a number of questions raised in the course of practical developments, which are of interest to our readers.

Participants in the conversation:

Nikola Katsarski, Supervisory Council chairman; Aleksandur Bozhkov, executive director; Todor Popov, head of the Legal Department; Aleksandur Gebov, chief, Privatization Methods Department; Stoyan Radev, chief expert, Licensing Department; and Boris Piperov, chief expert, Privatization, Analyses, and Forecast Department.

**Agency Authority**

[IKONOMICHESKI ZHIVOT] Recently the Supervisory Council of the Privatization Agency issued a statement on the agency's intentions. Could you describe its essential features in a few words?

[Bozhkov] The declaration is focused on several main points: privatization purposes, legal framework, intentions of the Privatization Agency, agency partners, public privatization control and organization of agency activities. Each one of them includes the agency's strategic, tactical, and specific objectives, intentions, and obligations.

The first strategic objective is to create a broad circle of private owners through the replacement of state ownership. This is the foundation of a modern prospering economy, i.e., to create an irreversible change in the system. Another major objective is to attract foreign investors who would ensure, on the one hand, the integration of

the Bulgarian economy within the global economy and markets and, on the other, would update, modernize, and include some of our enterprises in the global technological system.

In terms of the legal framework, the agency's major objectives are to ensure the continuous updating and improvement of legal and law-related acts, the making of new laws, and to facilitate and optimize the activities of the agency and the privatization process itself. Meanwhile, in accordance with the law, the agency will issue rulings on the reorganization of state into commercial enterprises, will license the appraisers, and so on.

The agency's main intention is to undertake fast, sensible, and pragmatic privatization. The agency considers as its initial goal to have no less than 25 percent of the enterprises within the range of its authority acquire new owners by 1995. It is important for participation in privatization to be granted equally to all customers, assuming that they are viable, regardless of whether they are Bulgarian or foreign. The agency will have as its partners managers and personnel of enterprises and the thousands of potential investors.

In terms of social control, it is very important for the agency to conduct its activities publicly, to function in a state of total openness, with the exception of confidential issues discussed in the course of commercial talks. The public must be clearly informed of the events as they develop in the country and of the course of privatization, thus blocking attempts at dishonest, concealed, or corrupt privatization.

The organizational structure of the agency will be dynamic and will develop depending on its assignments, which will be formulated in the years to come.

[IKONOMICHESKI ZHIVOT] How would you distinguish between the functions of the Supervisory Council and the executive body of the agency? Is there a discrepancy in this case?

[Bozhkov] There is no discrepancy. There is a certain lack of clarity in the demarcation of functions, for the nature of the agency's Supervisory Council is unique: There is no other state authority or structure above it. As was mentioned by Mrs. Indzhova in a recent "Plus-Minus" TV program, the executive director is in a position, on the one hand, of acting as a minister, and, on the other, of being answerable to 11 other people in the Supervisory Council. This is both good and bad. The good part is that the task of the executive director is significantly facilitated, for he will always be able to rely on the decisions of the Supervisory Council. The bad part is that some of his operative decisions will be made more difficult, for his functions have not been precisely defined by the Supervisory Council. I believe that practical experience will determine which matters will remain eventually within the authority of the Supervisor Council and which will become entirely the prerogative of the executive director. I do not anticipate any serious conflicts.

[Katsarski] The law itself has taken care of establishing that distinction. Articles 13 and 14 (1) define the authority of the Supervisory Council and of the executive director of the Privatization Agency. So far no specific cases of conflict in the work process have been noticed.

[IKONOMICHESKI ZHIVOT] How do you assess the legal framework within which your privatization work must take place?

[Katsarski] Other than the Privatization Law, most of the regulations issued by the Council of Ministers have already been adopted. A regulation on mandatory information will be adopted in the immediate future. This will shape the basic legal foundations.

[Popov] Everything necessary to undertake the process of privatization has been made available, and the reasons for the delay of its start are found not in the least in the absence of some legal acts that are to be passed. There is yet one more regulation that must be passed but the work can proceed quite well even without it.

[IKONOMICHESKI ZHIVOT] Do you believe that the regulation on the appraisal of the projects is sufficiently complete or, conversely, that it is burdened by too many details?

[Katsarski] So far in Bulgaria no one has undertaken any privatization. The regulation has its advantages, and it is only when we begin to apply it in practice that its weak aspects will become apparent.

[IKONOMICHESKI ZHIVOT] Is the study of the legal status the tasks of the assigner or of the appraiser who carries out the instruction?

[Popov] In that respect, Articles 3 and 4 of the Regulation on the Appraisal of Objects Subject to Privatization provide for a sufficiently liberal system. It is entirely possible for the assigner of the legal analysis to be either an enterprise or an authority as per Article 3. Legal analysis could be drafted by the enterprise itself even prior to the passing of the decision of privatization or subsequently. In all cases, it must be done prior to undertaking the implementation of the assessment. The only requirement is that it be drafted by a legitimate legal counsel of the enterprise, an outside legal counsel, or a jurist who is a member of the assessment team.

[IKONOMICHESKI ZHIVOT] Is there a danger that objects suitable for privatization find themselves within "legal bounds," such as in a state of co-ownership, restitution, and so on?

[Popov] Naturally, such a threat exists. In this respect, however, No. 6 of the Provisional and Final Stipulations of the Law provides a certain clarification. All former owners may file their requests no later than two months after the privatization decision has been made. Consequently, if such requests have already been filed, either we must not make a decision for privatization or, if the decision has been made, the very option of the decision must be consistent with the claim of the former owner. If the former owner has still not filed his request, he is given this

period of two months from the date the privatization decision has been made. If even then he does not make himself known, his only right is that of compensation according to the legal base prevailing at that time.

#### Appraisers' License

[IKONOMICHESKI ZHIVOT] Article 5 of the Regulation indicates the appraisal methods. Is this a mandatory or a recommended condition?

[Popov] The methods are indicated in rather general terms. They also include an item entitled "other methods." They are not exhaustively enumerated. Generally speaking, the individuals who are engaged in business appraisals should have a sufficient idea of the methods which must be used, those which are suitable for a specific type of appraisal, and so on.

[Gebov] This is a recommendation. It includes all existing appraisal methods. The imperative stipulation is found in Article 6: that the appraisal include a minimum of two different methods, whenever this is possible.

[IKONOMICHESKI ZHIVOT] A number of applicants for licenses are interested in the stipulations indicated in Article 7 of the regulation. Could you comment on this issue?

[Radev] The procedure for obtaining a license for appraisal is already known (see Issue No. 4 of this newspaper). In terms of experience, in my view, the most suitable feature for appraisers is to be professionally qualified and have practical experience as economists, engineers, or planners. There is a number of suitably trained people in Bulgaria who could, with proper instruction, perform such work. Let me reemphasize, however, that this must be after proper instruction, for a high percentage of them are still not familiar with the commerce law in its theoretical aspect and the way it will be put to practical use. We still do not have a true market economy. It is particularly important to be suitably familiar with the Accountability Law, which has still not been expanded with a commentary.

The second prerequisite is a successful training based on a program approved by the Privatization Agency. It is possible that, in the future, examinations will be given by a special commission that will determine whether a given candidate has the necessary knowledge and skill for obtaining a license.

[IKONOMICHESKI ZHIVOT] Is there any danger for the future appraisers to be blackmailed or even corrupted? What preventive measures should be taken in this respect?

[Katsarski] There is always the threat that given circumstances any person could be corrupted. No "safety belts" have been installed as a preventive measure. In the selection of appraisers everything possible has been done to reduce opportunities for corruption to a minimum. It is the obligation of the agency to be strict and use all the means at its disposal to prevent any efforts at corruption.

[Popov] In principle such a threat is always present. In terms of preventive measures the regulation prohibits the

appraiser to represent any potential buyer or to be a buyer in any privatization deal. He has no right to purchase whatever he is appraising and must sign a form certifying to this effect. Another preventive measure is the fact that the appraisal of major privatization projects must be mandatorily assigned on the basis of a competition and include no less than two methods, as indicated in the regulation. One of them must be based on an appraisal of the assets and the other of the capitalized cash income. Furthermore, it is forbidden for payment for the appraisal to be in terms of a percentage of the appraised amount itself. Finally, in cases in which the agency determines that the assessment given by the appraiser is clearly inadequate, the appraisal may be reviewed by other specialists. If malicious intent or incompetence of the appraiser can be confirmed, this constitutes grounds for depriving him of his license.

[Radev] There is always the danger that if an appraiser has such a predisposition he may break the law or commit a crime. However, we have laws that call for suitable penalties. If any one of the involved parties feels harmed by the appraisal, he may file suit in court. We are responsible above all for assessing the knowledge of the individuals.

#### Criteria for Inclusion in the List

[IKONOMICHESKI ZHIVOT] We already have the list of enterprises subject to privatization. What criteria were used in compiling this list? At the first glance it appears chaotic.

[Piperov] The list is drafted on the basis of two basic features. First, for the time being the privatization initiative comes mainly from the enterprises. Second, we have tried to include exclusively enterprises in which a potential investor has shown serious interest, i.e., projects for which there is great likelihood that they will be successfully privatized. The program is not a plan but earmarks only the minimal targets prior to privatization for this year. Bearing in mind that little time remains until the end of the year, we have selected among the proposals for privatization as per Article 3 of the Law on the Restructuring and Privatization of State and Municipal Enterprises only those that would be successfully completed with a privatization deal and would enable the agency to try a variety of privatization methods.

According to the 1992 program, the number of enterprises within the purview of the Privatization Agency is 11. There are another 80 about which a decision will be made by ministries, individual departments, or the Council of Ministers (in the "tourism" and "communications" sectors). The program does not include enterprises that are obshchina property, for these remain within the prerogative of the obshchina councils.

[IKONOMICHESKI ZHIVOT] It is being said that Western partners are already familiar with the projects included in the list. Does this not make the effort of our appraisers senseless?

[Piperov] The first and fundamental criterion for including an enterprise in the program is its readiness for

privatization. An essential element in this readiness, as I pointed out, is any serious interest shown on the part of an investor, whether domestic or foreign. The program should include only enterprises that can be realistically privatized this year. Consequently, if foreign investors have shown a certain interest and have been in touch with the respective enterprise, the agency would welcome such an interest. However, this has nothing to do with the activities of the appraisers. They must provide a realistic appraisal of a given enterprise not only in accordance with Council of Ministers Letter No. 179 but also by taking all market factors into consideration. The agency intends to conduct privatization deals even for the symbolic price of one lev, providing that the future investor assumes specific social or ecological commitments. The stage of a realistic market appraisal by the appraisers licensed by the agency is an absolutely necessary prerequisite in this process.

[IKONOMICHESKI ZHIVOT] Will the appraisers be able to work unhurriedly? Will they make a single simple accounting appraisal followed by some basic corrections? How will you monitor this process?

[Radev] The question of the assessment is not all that simple. For each project, appraisals using a minimum of two different methods are required, based on two different approaches. Allow me to describe three basic approaches very briefly.

The first classical and most popular approach involves five methods. It starts with a study of the activities of the enterprise over the past five years. This is followed by a projection of future profits over a period of five, seven, or 10 years. Such future profits are reduced by updated values with the help of coordinating coefficients, and it is on this basis that the appraisal is made.

The second is the market approach, covering between 10 and 12 appraisal methods. In this case we try to find market similarities—recently conducted similar privatization sales. We compute a variety of market multiplication factors (such as location, etc.). They are determined in terms of various correlations (such as the price in relation to annual profit; price in terms of net value of assets, etc.). The multipliers are applied on the basis of a consolidated type of assessment.

The third approach covers two basic methods. The simplest is the liquidation method of appraisal, similar to the stipulations of Council of Ministers Letter No. 179. The other method is the most complex and consists of assessing the net value of the assets. In this case the most difficult part is to assess the intangible assets, which may be classified into nine categories. They are not included in the balance sheet but could be identified by a good appraiser. This includes manpower skills; written recipes and know-how; position held on the market; customers; and so on. Such intangible assets, however, must not only be identified, but also must have their life span established. For example, we must determine the life span of a given patent, labor seniority and life span of the specialist, and so on.

This is followed by determining the relative share of each category of the intangible assets that are included in the appraisal.

You can see that this operation is incredibly complex and in no case could be reduced to a simple bookkeeping assessment.

#### Public Control

[IKONOMICHESKI ZHIVOT] You state in the declaration that there will be open control. What will you do in order to apply this feature rather than treating it as no more than a good intention?

[Katsarski] Nothing, for all activities of the agency will be monitored very closely. Furthermore, both the Supervisory Council and the executive director as well as the personnel of the agency will not engage in any type of action that they could try to conceal from the public.

[Bozhkov] Alas, the agency is not an investigative service, nor is it a prosecutor's office, or, even less so, a court. Therefore, we must take into consideration the requirements of the law. The law demands the purchaser to submit a statement proving the origin of the funds with which he will participate in the privatization.

Officially, from that point on the agency is in the clear. Naturally, however, in discussions with potential purchasers we shall pay attention as to who these purchasers are, what are their reasons for wanting to buy that specific enterprise, and what preparations have been made to purchase it, and we shall consider in the course of our functions all the available required facts and data. I reemphasize that in no case will the agency be an investigative service and use some of its personnel to look for the provenance of the money that will be used in the privatization. In terms of secret privatization deals, something

that is currently taking place in the country by creating joint ventures that extract profits from the enterprises, or the founding of parallel companies that take over the functions of the enterprises and that also take out their profits, we shall not remain passive observers. The agency is drafting some amendments to the Privatization Law, which will give it the right to intervene in the creation of such joint ventures or parallel companies, as well as to intervene in the restructuring of the enterprises so that, in accordance with our plans for the privatization of some sectors, individual branches, or enterprises, we may be able to monitor such problems as well.

[IKONOMICHESKI ZHIVOT] Will you be insisting that the Ministry of Finance provide in the 1993 budget funds for improving the financial health of the privatized enterprises, considering that no such funds were stipulated in this year's budget?

[Bozhkov] This is a very big problem. It applies not only to the enterprises to be privatized. If the budget must appropriate funds for improving the health of the enterprises, they should not be of short-term validity, i.e., to be appropriated from the 1993 budget to be used to improve the enterprises and to sell the enterprises that same year. It is obvious that in this case we need a broader program that exceeds the authority of the Privatization Agency but is within the authority of the Council of Ministers. Based on the proposals submitted by the sectorial ministries and of the agency, the State Reconstruction Fund must adopt an overall or partial approach in such a way that enterprises within a specific sector or branch may be improved or technologically updated if necessary, partially or entirely, prior to their sale. This proposal will become part of our program. However, it is a question whether the Council of Ministers, the Ministry of Finance, and the state budget will be able to grant such funds to provide for the greater improvement of the condition of the enterprises.

**Successful Business Threatened by Bankruptcy**  
*93CH0191B Prague HOSPODARSKE NOVINY in Czech  
10 Nov 92 p 4*

[Article by Milan Adamek: "Will a Relatively Successful Enterprise Go Bankrupt? Payment Inability Is Not a Complete Yardstick of Potential"]

[Text] Tesla Hradec Kralove, a producer of electronics components, faced a difficult situation after our market opened up. It lost many customers but managed rather well to come to terms with its predicament. In part, it introduced a new production line (assembly of the so-called white goods). Usable technologies were diverted to a new product mix; it managed to get rid of unusable equipment. It reduced the labor force to one-half. During this year, the accounts receivable have been declining moderately as have its obligations. Nevertheless, Tesla Hradec is facing the threat of bankruptcy.

"We are in a situation where our own efforts cannot lead us out," says Eng. Zdenek Stuchlik, the enterprise director. On 20 October, he received a court order blocking the company account. The reason was delayed payment of levies to the state budget, and Tesla may not draw on the account until the levies are paid.

According to the director and his deputy for economics, Eng. Jiri Valek, "It means the end of the company." Blocking the enterprise account finished off, for instance, Tesla Ostrava.

The Hradec firm is about to sign a contract with the Japanese Nissho Iway Inc. and YS Porcelain Inc. For the German Hoechst firm, it is manufacturing ceramic resonators, and the production line replaced the earlier ceramic integrated circuit containers for the Czechoslovak industry of electronic components. Its division of high-frequency ceramics converted to consumer ceramics and utilizes 30 to 40 percent of the original capacity. A new division of nitridized ceramics was set up; it exports 90 percent to the West.

To enable the company to establish itself fully in the new market, the management believes it must acquire adequate technology. But it cannot get credit for this purpose. The investment bank reportedly has a clear directive to keep "hands off electronics." The Bank of Commerce will not lend until the earlier loans are paid (the credit amounts to 13 million korunas and dates back to before November 1989). That this puts the creditor at risk of getting nothing is evidently something he has not taken into account. For instance, Tesla had an order for white goods, but, because it could not pay for subcontracted deliveries from Taiwan, chances are the contract comes to nothing. Blocking the account has a similar effect on all of the company's remaining activities.

**Payment Ability Versus Inability**

The principal debtor not paying Tesla Hradec is Tesla Pardubice. This is a producer of radiolocators that has also lost its market. But, according to its director, Josef Opočensky, it has in reserve a radar that could be saleable. At the close of last year it managed to sell two units, and the

company just about made it into the new year. But it cannot or may not sell. It reportedly may not enter one-half of the potential territory, and the second half is off-limits for it. The system is called Tamara and is capable of reaching aircraft unreachable by conventional radar. The United States has invested tens of billions of dollars into developing these aircraft. Pardubice owes Hradec 57 million korunas.

Another debtor is Tesla Roznov, where, owing to an unresolved liquidation of the enterprise, 11 million korunas are tied up.

All in all, Tesla Hradec had 159 million korunas in accounts receivable as of 30 September of this year. According to director Eng. Z. Stuchlik, the company would be able to ultimately settle the accounts receivable and its obligations, provided, of course, it is given time to do so. This ought to be given primarily by the banks, which now give preference to 33 percent interest for delayed payments and short-term credit. "Even if I were a magician and turned the entire enterprise toward Western exports within two years, we would not be able to pay off past debts and obligations in less than four years. And, for that, I would have to make stupendous profit," says Z. Stuchlik. He was appointed director in May 1990 with the strong support of the works council and the factory trade union committee.

**Fatigue Sets In**

Tesla Hradec is not the only one among our enterprises being sapped by passivity and resignation. The ablest people who see a hopeless situation leave for private minicompanies, and it is not unusual that, on behalf of their new employer, they offer the sinking enterprise services and goods. The brain drain is also effectively aided by the wage regulation. Passive behavior is displayed by rank-and-file employees, who, as we saw documented, suffer from a feeling of management helplessness. They, too, feel stressed by the "fabulous" earnings they begin to see around them. Efforts to motivate them are ever more frequently ending in failure.

On the issue of bankruptcies, the deputy for economics, J. Valek, says that, if the law is not set aside, Tesla Hradec would be prepared to use 150 debtors.

Would you do it?

"Yes, we would. We had it prepared for 20 of them."

Would it resolve anything?

"Almost nothing. It would release an avalanche."

The account was blocked after the finance ministers made public the threat of a growing state budget deficit and efforts aimed at at least minimizing it, if it cannot be liquidated. The question remains whether, under the given conditions, Tesla will ever be able to pay its obligations to the state. Another question is what part of the state revenue can be afflicted with a similar fate.

Director Stuchlik proposes the following solution: "From its enterprises, the state should take over obligations covered by accounts receivable and accounts receivable in

the same amount. This operation would move 80 percent of the enterprises out of payment inability, and the problem would be reduced only to enterprises with primary payment inability. It would be an accounting operation, nothing more, but we would be helped by it."

### **Insolvency, Excessive Indebtedness Differ Under Law**

*93CH0191C Prague HOSPODARSKE NOVINY in Czech 10 Nov 92 p 7*

[Article by Miroslav Jansa of the Kraj Circuit Court in Prague: "How To File for Bankruptcy; Insolvency Merits Postponement, Excessive Indebtedness Does Not"]

[Text] *After a year since Law No. 328/1991 on bankruptcy and settlement proceedings went into effect, one may observe an interesting phenomenon. Applications for bankruptcy proceedings are filed by both creditors and debtors, but, so far, very few debtors have offered settlement to their creditors. Because bankruptcy and settlement proceedings differ from their very start, we will first discuss the more common bankruptcy proceeding.*

A bankruptcy application may be filed by a creditor or debtor or liquidator of a legal entity. A special law may grant other persons the right to file a bankruptcy application, but such a law has not yet been passed. Among the persons authorized to file a bankruptcy application, a special position is occupied by the liquidator of a business firm or a cooperative. If in the process of the liquidation he finds excessive indebtedness of the company in liquidation, it is his duty according to the Commercial Code to file for bankruptcy without unnecessary delay.

In the Czech Republic, the court fee in a bankruptcy proceeding is paid by the debtor, and the fee is set in percent of the sum obtained from the sale of assets. Only after the bankruptcy announcement and the sale of assets the court establishes the basis for imposing the court fee and imposes it. Thus, the filer of a bankruptcy application does not have to pay the fee.

The court will declare a bankruptcy if an application is filed with it for bankruptcy proceedings against a debtor's assets. Other conditions are that, during the proceedings, the court finds the debtor to be in default and, furthermore, that the debtor has assets sufficient to at least pay for the costs of the bankruptcy proceedings.

Contentwise, the filing of an application for bankruptcy proceedings is briefer and simpler than many bills of charge in disputes. But, formally, the filing must meet the requirements for a bill of charge under the civil court order and must contain what the bankruptcy and settlement law requires. Thus, from the formal point of view, it must contain a precise designation of the suitor and the defendant; in regard to legal entities, an entire exact name, including address where located; for physical persons, the full name and address; and, where appropriate, the commercial name and location of the firm. A legal entity must have its name listed precisely as is, which, as a rule, means as it is entered in the commercial registry. Thus, for example, a commonly used abbreviation is not deemed

sufficient. In regard to physical persons who are engaged in business, it is not enough to list only the name of the business in which they are engaged because the party to the proceedings is a certain physical person. The business name under which the person conducts his activities, the so-called firm, is not a legal subject and therefore cannot be a party to the proceedings.

The filing must contain a brief [petit], meaning a proposal how the court should decide. The filer must expressly propose that the court impose bankruptcy proceedings against the assets of a precisely designated debtor. The filing must be dated and signed. If an application is filed by a proxy, whether an attorney, a commercial lawyer or another authorized representative, it must be accompanied by a duly executed power of proxy. If it is filed by a legal entity, the application should include an extract from the commercial registry or other documentation showing that person's authority to act and sign.

It is frequently impossible to establish from a debtor's designation whether he is entered in the commercial registry. This is often the case especially with physical persons engaged in business. In such cases, the filer ought to find out whether the debtor against whose assets the bankruptcy is to be declared is entered in the commercial registry, note this fact in the application and, where possible, document it with an extract from the registry.

The content of an application to declare bankruptcy depends on whether it is filed by a creditor or a debtor.

As a debtor, the application for declaring bankruptcy will be filed as a rule by the liquidator of an excessively indebted company. The debtor's filing must include a statement that the debtor is in default and list the circumstances leading to the situation. The application filed by a debtor must, according to Section 17 of Law No. 328/1991, include a listing of the debtor's assets and liabilities, giving names of the debtors, creditors, and their addresses. In this listing, the debtor must expressly state that it is correct and complete and sign it. In the application, the debtor should also state facts showing that his assets are sufficient to at least cover the costs of the proceedings.

The content requirements of an application for bankruptcy declaration filed by a creditor are set in Section 4, Paragraph 2 of Law No. 328/1991. In the application, the creditor must cite facts suggesting that the debtor is in default. Furthermore, the creditor must show proof that he has a claim against the debtor, even if it is not yet due and payable. A material sign of default is that the debtor has several creditors. So, in his application for declaring bankruptcy, the creditor should list at least one other creditor with a claim against the debtor. Furthermore, the creditor should state in his application whether he files a request for bankruptcy declaration because of the debtor's inability over a longer period to meet obligations that are due and payable or because of his excessive indebtedness, and cite the circumstances attesting to these facts. A creditor may file even when his claim against the debtor is not yet due and payable, but, if such an application is filed due to the debtor's inability for an extended period of time to meet

payment obligations, it is necessary for the filer to list in his application at least two creditors to whom the debtor failed to pay debts already due and payable.

Also, the creditor in his application for a bankruptcy declaration should state facts from which it may be concluded that the debtor has assets sufficient to at least cover the costs of the proceedings. This is something the court must establish in any event as a condition for declaring a bankruptcy.

### Difficulties of New Laws on Trade Examined

93CH0220B Prague HOSPODARSKE NOVINY in Czech  
11 Dec 92 pp 1, 3

[Article by Josef Prouza: "Gaps in the Small Business Law—How Can Entrepreneurs Substitute for Specialized Competence?"]

[Text] *At the end of December, the time limit for transforming business authorizations according to the valid small business law expires. This law was and is the subject of criticism since its very beginning, particularly on account of the strict requirement of demonstrating specialized competency, which meant "closing shop" for many a businessman.*

However, a solution was found, according to Marian Simek, doctor of jurisprudence, director of the Small Business Department of the Ministry of Economics of the Czech Republic. It consists in the joint declaration by six ministries regarding the establishment of qualifications tests that would supplant specialized competency in the operation of some small business activities, which became effective on 22 November 1992. Thus, a helping hand was extended to all small business artisans; the tests can replace documents attesting to specialized competency in the execution of some restricted and concession-type small business activities. In practice, cases were cropping up, according to Dr. Simek, in which some entrepreneurs had to keep a "dead soul"—for example, an innkeeper, whose account showed paper entries of, say, five operating units that he, however, visited only in order to draw money for "specialized management." Qualification tests are held before a five-member commission at middle-level specialized training centers and schools, which are authorized to administer tests in the appropriate discipline. The content of the tests is based on the statutes of the discipline that is identical or related to the discipline involved in the business undertaking. The specific content of the test, for example, is listed for the well-digging trade; the production, installation, and repair of central heating and ventilation facilities; the transportation, purchase, sale, and lending of weapons and ammunition; and the provision of accommodation services.

Applications are submitted according to the entrepreneur's choice; the catalogue of educational institutions that will administer the tests is available at small business offices and is also to be published in the official gazette of the Ministry of Economics (January issue), as well as in OBCHODNE VESTNIK. An invitation to be tested is received by each applicant at least one month before the

test, including an outline of the questions involved and identification of any aids or devices permitted to be used during the test. The test can be taken by applicants several times if they have not passed, adds M. Simek. The fee for the test is regulated by price regulations; only those tests that require higher expenditures (for example, the test for chefs) will be more expensive. The way is thus opened to entrepreneurs with long years of practice who do not have the necessary journeyman papers, as well as to restitutents, heirs of small businesses, owners of rural taverns, and so forth, according to Dr. Simek.

What other obstacles have been successfully removed for entrepreneurs? Thanks to the initiative of small business departments on the territory of the Czech Republic, Section 15 of Law No. 367/1990 Sb [Collection of Laws] on community offices was altered so that you need not have the approval of the community as to location before initiating operations of a small business. We considered that to be a superfluous bureaucratic approach, says Dr. Simek, and that provision was dropped. Unfortunately, that does not apply to the territory of the capital city of Prague because here the decision is made by the municipal authorities responsible for small business activities, specialized competency tests, the issuance of small business licenses, and control—in other words, not by the Small Business Department of the Ministry of Economics of the Czech Republic. We regret this because every businessman judges things according to what goes on in Prague, adds Dr. Simek. In the event that you have one operating unit in Prague and another, let us say, at Brandys, you will require a permit in the former but not in the latter. That special situation also applies, for example, in the case of guilds. M. Simek stated the example of the taxi drivers of Prague, the "Mafia" that charges different prices driving in Prague. Dr. Simek says, "I would be interested in seeing how Minister Kocarnik plans to collect taxes or possibly to prosecute those people."

If the small business law is to be amended, says Dr. Simek, the first thing that should happen should be the appointment of a unified organ of state administration for the territory of the entire republic. Free small business permits are issued by appropriate community offices, but artisan trade permits, irrespective of whether they are restricted or concession-type trades, are subject to decisions at okres levels. That is yet another complication for the businessman. The sorest spot in the entire law, however, according to Dr. Simek, is the lack of adaptability of its attachments or, rather, the identification of all activities. They are not tied together, says M. Simek—for example, a brick mason and a tile setter. A businessman must have two small business permits, although, when he performs brick mason work, he also does tile-setting. Why should he pay 2,000 korunas [Kcs] rather than 1,000 (each small business permit requires a fee of Kcs1,000; Kcs2,000 is due for a concession-type trade—editorial comment)? Or there are cases, Dr. Simek continues, in which you are excluded from engaging in entrepreneurial activities as a private individual, but, if you establish a corporation, you can do business as a concessionaire because that is listed in the attachment. "The fact that that was done by officials in

the federal government who did not accept any conditions during the marking up of the law—we sent the amendment of the law to the parliament as early as May 1992—can be demonstrated," explains Dr. Simek. "The attachments to the small business law must reflect the practical conduct of those activities as they relate to computer equipment," continues Dr. Simek. That is why the Small Business Department came to an agreement with businessmen, professional societies, and chambers that they propose what the final configuration of the permits for individual activities should look like, including the signature. According to Dr. Simek, the amendment of the small business law should, however, retain certain language contained in the current law because people are already beginning to lose confidence. Over a period of three years, businessmen have already transformed themselves three times, according to the law dated 1988, the law dated 1990 (Law No. 105 on private business activities), the law dated

1991 (the small business law), and one dated 1993 again (amendment). According to Dr. Simek, the new (Czech) small business law should wait to see what the development of the constitutional arrangement will be, primarily as to who will be the organs of appeal (the department in the ministry, regional organs?) and what the various chambers will be like (voluntary or compulsory membership?). There are other question marks—for example, a number of activities are tied to the "lustration" extract. The term "unblemished record" of a businessman has not been clarified (it is not the same as having a record showing no punishment). Complaints by businessmen are mounting, and the satisfaction of those complaints is not helped by the fact that, during the current transformation, they must once more present all documents, including an extract from the criminal register and must, obviously, pay again. The certainty that, in a few months, things will not once more be totally different is lacking.

**MDF Leaders' Reported Moves To Thwart Csurka**  
*93CH0235A Budapest HETI VILAGGAZDASAG*  
*in Hungarian 19 Dec 92 p 15*

[Article by Endre Babus: "The Csurka Affair: Terminated and Preserved"]

[Text] The presidium of the party has stripped Istvan Csurka of his position as deputy chairman of the MDF [Hungarian Democratic Forum]. Falling from grace with him were five other politicians, when last Friday the presidium of the MDF moved to terminate its six-member management board. The fact that, instead of moving openly against the writer and deputy head, the leadership of the party opted to perform an organizational "amputation" suggests that the majority of the MDF's top leaders do not wish to distance themselves from the Csurka-led radical right wing. The ad hoc committee set up to solve the internal crisis plaguing the MDF, incidentally, has recommended two options for resolving the Csurka affair.

The first option of reducing the size of the presidium (which may have meant Csurka's removal) was quickly rejected by the leadership, which voted overwhelmingly instead for the elimination of the management board. This move is seen as a blow to the liberal faction, as one of its leading figures, Imre Furmann, who as administrative deputy chairman was formally considered to be the number-three man on Bem Square, has also been forced to leave the MDF's central body. The six former deputy chairmen will naturally retain their membership in the 21-member presidium.

In the past few days there have been speculations, suggesting that the prime minister was attempting to strengthen his position within the MDF as chairman of his party. According to one suggestion aimed at amending the bylaws, in the future, 12 of the presidium's 20 members would be appointed by the government, and only eight would be nominated to that body by regional organizations around the country. Such a change would essentially mean that every cabinet member representing the MDF would also become a member of the inner circles of the party leadership, thus Antall could create a solid base of support within the presidium of the Forum. Commenting on this plan, representative Gabor Roszik has told MAGYAR NEMZET that, assuming that it is adopted in January, the earliest date by which the new system could be implemented would be the start of the 7th "Congress" of the MDF, not the upcoming 6th National Conference. According to another proposal the size of the steering committee, currently made up of 88 members, would be doubled in 1993, so that the electoral offices in each of the country's 176 electoral districts would be able to delegate a member to that body. The electoral centers in question, it is assumed, would thus be controlled by a pro-Antall administration, as the party's "parliament" would be dominated by forces loyal to the prime minister rather than by the vocal and active Csurka-ite faction. The task of organizing the electoral bureaus, according to MAGYAR HIRLAP, was assigned by the prime minister to minister

without portfolio Tamas Szabo, although this has already been denied on Monday by MDF presidium member Gabriella Farkas.

According to unofficial reports, the only person nominated so far by the nominating committee headed by Zoltan Pajna to the post of party chairman has been Jozsef Antall. The deadline for submissions, however, is not until 21 December, and rumor has it that the Csurka camp, insisting on making the elections more democratic, is pressing to nominate additional candidates for the post of party chairman.

**Representative Olah on Smallholder Conflict**

*93CH0215A Budapest MAGYAR NARANCS*  
*in Hungarian 26 Nov 92 pp 4-5*

[Interview with Sandor Olah, Smallholders Party representative in the National Assembly, by Zsuzsa Dardai; place and date not given: "The Smallholders Paradox"]

[Text] [Dardai] What were the charges against you in the ethics investigation initiated by the party?

[Olah] That group of representatives scrutinized two basic political questions: One pertained to my 26 October remarks in parliament in which I asked the interior minister to offer his resignation to the prime minister, and the other was related to the freewheeling discussion I had over a dinner table with Dr. Torgyan, the chairman of the Independent Smallholders Party [FKgP], and with Dr. Imre Boross, the executive secretary of the National Smallholders Party [NKgP]. Some representatives of the faction regarded all this as violations of rules of ethics. I stated my views after the proceedings: My actions might not have been politically correct, but I did not violate any rules of ethical conduct. A violation of rules of ethics involves a conduct that sheds an adverse light on one's sense of morality, decency, and good character, while anyone can make a political mistake while remaining honorable, decent, and of good character.

[Dardai] What was the decision?

[Olah] That the ethics committee make a recommendation to be voted on by secretly balloting each representative in the faction. In the final analysis a stalemate evolved, in which neither group—those who wanted to read me out of the party and others who demanded that disciplinary action be taken against me—obtained majority support. If anything could be said about this outcome, our faction leader has effectively stated it: "We growled at Sandor Olah." In other words, the case was closed with a warning indicating disapproval of my conduct.

[Dardai] What do you have to say to that?

[Olah] I have a feeling that this proceeding was initiated in a certain spirit, the essence of which was that it would be nice to remove Sandor Olah from the mainstream activities of the Smallholders Party to its margins, and to tone down his views and political statements. In common parlance one would say that this man's spine must be broken, he must be made more adaptive, and more the subject of influence and direction. If this was their idea,

they made a fundamental mistake. This process was well suited to strengthen, harden and firm up my principles and determination. They convinced me that an increasing number of people are needed by this country who accept all responsibility, including personal risk in the interest of conducting decent and principled political discourse. I would very much like to stress that I do not have truth and wisdom in my pockets either, I too can make mistakes; but anyone who performs his functions as a representative, a minister, or a local official without this kind of faith and firmness at any level of public life, is going to become a part of tepid, compromising politics.

[Dardai] You did not make a statement to any newspaper during the past two and a half weeks.

[Olah] I voluntarily imposed this kind of moratorium on myself. I did not pick up the glove dropped in front of me by the media. I allowed, I permitted, and tolerated various people expressing various views in various places about me. It was very hard not to react, but I knew that I would make a grave mistake had I reacted. Accordingly, I kept quiet until all my fellow representatives placed their ballots in the box. I did not take part at sessions debating my case either, so as not to influence anyone with my presence. In part, I, too, wanted to make an introspective, neutral evaluation of the events, in part I also wanted force each member of the faction to struggle with his own conscience, on the basis of which they had to qualify one of their associates, one of their comrades in arms. I became convinced in the course of many years that the judgment we make of ourselves is most important. I am reassured if I can justify my actions to myself, even if some of them might have been mistaken.

[Dardai] Did you become uncertain about your convictions?

[Olah] No one is infallible. An interesting twist in this story is that while the three-member ethics committee examined my case, it was reported that after many centuries, the Vatican acknowledged that "the earth was revolving" around its axis: Not even the pope is infallible. Everyone carries the potential of making a mistake. Regardless of how insignificant a personal role we play, we have a duty to accept natural risks.

[Dardai] I wonder, do you find people in either of the Smallholders parties who support the kind of conduct you represent?

[Olah] I believe that for everyone in public life, irrespective of his party affiliation, or his professional or political background, there comes a moment when he must make an instant decision as to what he regards as a higher value: the combined, total values of democracy, protecting constitutional institutions, or values related to partisan politics, to current politics which are somewhat removed from the former values. A person is out of luck if he is unable to instinctively make the right decision in this regard. He is not guilty, and I would not even say he is apolitical: He is just out of luck. In that certain moment the dictate of my conscience was more important to me than what my party standing required. Nor can this be expected in the future from me, or from others as the conduct characteristic of a

party, of a movement based on an ideal. Only that certain moment can be expected to come.

[Dardai] These moments are organic consequences of the way a person's life evolves, they do not occur suddenly and unexpectedly.

[Olah] It would be very nice if one could be certain about it. But let me feel a bit more uncertain in this regard, and as a religious man, let me say this: Perhaps God is going to help me in my remaining days to once again sense the magnificence of that moment and the opportunity in which I can play a modest role.

[Dardai] Are you sure that your place is in the Smallholders Party?

[Olah] By all means. It will be 50 years ago next year when I committed myself to the Smallholders Party, I did so in 1943, when the party was at the brink of illegality. This situation has given me an assurance: I was not seeking an opportunity for myself to prevail, and I was not trying to make a political career within this party. History produced some fickle moments, it tested this party, and on occasion, due to the conduct of its people, it sometimes rendered the party worthless, while on other occasions it let the party appreciate in value. At this time we once again find ourselves in the trough of waves; as a political grouping we cannot brag about being successful. It depends on the people whether the value system we like to refer to as the "Smallholders' ideal" survives.

[Dardai] What is the substance of this concept?

[Olah] It is difficult to define this in terms of political science, because it is a delicious milkshake: It includes an ethicoreligious foundation, a national consciousness, some liberalism, certain intolerance for social injustices, and both radicalism and a high degree of pragmatism. We did not form either a dogma or an ideology of all this because we knew that social development would transcend the value system established by political science and in philosophy. Liberalism served as a redeeming philosophy from the standpoint of a society abandoning feudalism. But liberalism has a different meaning to a society that organizes itself in the atmosphere of freedom, where human and civil rights, and the love and protection of democracy, are natural conditions. At a time when a region, such as Europe, chooses a market economy as its social form of existence, it is no great glory to talk about the liberalism of, or liberalizing, economic policy. These concepts do not lose their value, only the emphases change, and this is why it is so difficult to define the Smallholders philosophy in terms of political science. We would like to render a mix of all these things as values that are pleasant to society, that can be accepted by society without great shocks. So that both the time required for healing and the therapy are painless.

[Dardai] Could you give us an example?

[Olah] We will never agree to a shock therapy as an economic policy strategy, regardless of who claims that such therapy is more favorable than a slow transition.

Something can always come in between, and what happens if something interferes when we are in a state of shock?

[Dardai] How are you able to trace the Smallholders philosophy in a party torn apart, in several parties?

[Olah] Within the three, four, or five kinds of Smallholders parties, disagreements based on philosophy are the smallest, and differences stemming from personal ambitions are the greatest...and there are differences in style. One or two groups show little sensitivity for applying democratic methods within the party, and this is sad. While they accept democracy as a goal, they do not take advantage of it in the internal workings of the party, because democratic methods do not produce fast enough results in their personal ambitions for power. These kinds of differences are decisive. For this reason, the closer we come to the 1994 elections the less optimistic I am.

[Dardai] Based on what you just said it appears as questionable that you are going to find your place at a time when you belong virtually nowhere in a faction that casts you out to its peripheries and after a grand rally like the one we witnessed last Saturday.

[Olah] I am not sure of that either. I had faith that the two groups would do something to come closer to each other, to approach each other, by taking steps however small those would be, but instead of doing so they took a big step removing themselves even further from each other. This means that there are even more problems to be bridged, that the abyss is even larger, that an even stronger bridge is needed to enable dialogue between the various political groups. More time is needed.

It is obvious that both sides bask in their own glories, and all of them believe that they won. Even though we have now confronted the strongest enemy of all—ourselves—as I stated at the press conference that preceded the grand rally, we now must defeat ourselves, and unless we are able to do so, the Independent Smallholders Party may become a historical nothingness, a relic by 1994. This would be a terrible tragedy.

[Dardai] How real is the right-wing and the left-wing threat in Hungary?

[Olah] I am not concerned about the reemergence of a traditional left-wing or right-wing threat, of once again seeing Szalasi's national socialism or Rakosi's communism in Hungary. The international situation is not suited for these things. Parties cannot survive as extremist trends in a vacuum. We have something else in mind, however, when we mention restoration. I used the concept of a "velvet restoration" as a corollary to the "velvet revolution of Prague."

The threat of a "velvet restoration" by the Left indeed exists insofar as ownership forms and the economy taking off in the direction of collectivism are concerned. The people whose individual interests support this kind of change are there, and interests are the most important catalysts in politics. I would not like to overdramatize this, and I would not want to link this to the hammer and sickle and to the red flag, because, as we could already see,

various political groups are far more cunning than to return to their original positions under discredited symbols, symbols that have lost their credibility. They prefer false symbols to veil themselves.

Viewed from the other side, a potential rise of national socialist ideals does not flow from the nature of Hungarian people. A shift toward the Right can be seen throughout the world, and primarily in Europe. The effectiveness of this ideal to muster support, to concentrate strength and possibly, to form international alliances cannot be calculated. In any event, I would not overdramatize this either. The Hungarian people have learned very sad lessons from both the nationalist socialist and the communist dictatorships. Everyone is afraid of seeing the return of even traces of these dictatorships. The only ones unconcerned about this are people who have not really lived through these dictatorships. These are the young people who lack life experience, who have no live relationships with their families, so that their parents cannot hold them back, at least, from these superficial lures that manifest themselves in outward signs, to which they are exposed to today. I am intentionally not using more comprehensible words, because my message could be misinterpreted if I did. The fact is that youth is the pride of a society, and educators are unable to defend this youth today. One cannot see churches and youth organizations operating as mass movements based on ethicoreligious foundations, which exert a great force to attract youth. This prescription did not work. And then you have the parents who are overburdened, worn out, and tired, with no time left to deal with their children, to provide an intellectual, ideological upbringing and an outlook on the world. This is a distressing situation.

[Dardai] Not too long ago we searched for parties and organizations (see: MAGYAR NARANCS 19 Nov 92) that supposedly "deal with" the upbringing of skinheads, of "Hungarian youth of a conservative outlook," if you will. Quite a large number of strings led to various groups within the Smallholders Party.

[Olah] There are no real relationships between such youth organizations and the Smallholders Party. I believe that this relationship is false both ways, and that it is only of a financial nature.

[Dardai] How is that?

[Olah] Either these youth groups receive financial support from Smallholders Party organizations, or money is flowing in the direction of the Smallholders through youth groups—and don't ask me to name specific places that could prove this statement to be true. But there is no ideological relationship. But I sense and see the anomalies in this regard; surely, it is no small concern and responsibility for the Smallholders Party to straighten out this situation. All I can say is that I am pleased that this process has begun, the intent to set things straight is firm, and I hope that it remains firm also in the future.

**Liberal Member of MDF Presidium Interviewed**

*93CH0248A Budapest MAGYAR NARANCS in Hungarian  
17 Dec 92 pp 4-5*

[Interview with Imre Furmann, a liberal member of the Hungarian Democratic Forum's Presidium, by Laszlo Seres; place and date not given: "We Have Been Floored"]

[Text] [Seres] By the time we begin our scheduled interview, you have ceased to be a vice president of the MDF [Hungarian Democratic Forum] and now have a seat on the party's 21-member provisional presidium. What has actually happened? What has changed within the MDF?

[Furmann] All the same, I hope my character has not changed. The decision to replace the party executive with a provisional presidium affects neither my politics nor my approach. I have never been interested in attaining any sort of position. I think that if somebody is an idiot, that fact alone will not prevent him from becoming the highest ranking chairman or president. But when a normal person engages in politics, it is all the same whether he does so as a member of the rank and file or in some position. The new presidium of the MDF replaces the party executive that has been functioning for approximately 18 to 24 months. Thereby also the positions of vice presidents have ceased. Thus the decisionmaking authority of a narrower governing body has been reassigned to a wider one. The MDF is planning to hold a decisive national convention in January, and it can be truly fruitful only with the widest possible participation in its preparations. That is why I welcome the decision. After all, I have never been in favor of the type of politics where "four or five Hungarians put their heads together," because the others do not know what those four or five have been murmuring among themselves.

[Seres] The MDF National Committee met in Hodmezovasarhely last weekend, but statements after the meeting have been rather reticent. What has actually transpired there?

[Furmann] I myself attended only the first day of the meeting. The national committee was supposed to consider changes in the party's bylaws, which outline an entirely new organizational structure for the MDF by 1993-94. I too have submitted a proposal to amend the manner in which the local organizations function, rather than the composition of the party's highest governing body. In Italy, there is a local organization in every pub. I would legally allow members to engage in politics within an organization, but not in a bloc. When at least three people come together, they would be able to form a group if they wished. Why should it not be possible to engage in politics on the basis of friendship or professional interests?

[Seres] Many people are accusing the prime minister of attempting to resolve the internal, political tensions within the MDF through organizational changes. Do you think that Jozsef Antall has been forced to move under pressure from "certain forces"?

[Furmann] No, in my opinion. But perhaps we all have been slow to move toward organizational solutions. I was sharply attacked already in 1990, for advocating freedom to organize within the party. I recognized that ours is a complex party,

consisting of various groups upholding different values. I felt that there was no reason at all to fear such freedom, and that also its organizational forms had to be found. I still feel that such a proposal is important even today. But many people are afraid of it and reject it out of hand.

[Seres] During the past year, the MDF has definitely shifted to the right, mainly as a result of a single individual's literary activity. How will the party's future develop, considering Csurka's essay?

[Furmann] Indeed, there are problems that can no longer be handled merely through organizational changes. But I would hesitate to say that the Hungarian Democratic Forum has shifted to the right. I would prefer to say that there are extremist tendencies shifting toward the right, but they cannot be associated with any single individual. A very irrational, demagogic style that is foreign to the Hungarian Democratic Forum, or at least has not surfaced in it up to now, has begun, as well as an advance that is producing irrational solutions. These I would consider dangerous if the party, unlike in the past, were unable to handle them. Such tendencies have always existed within the MDF, but they have never been so strong.

[Seres] Many people are wondering these days about what the MDF membership is actually thinking. Everyone appears to be supporting Csurka.

[Furmann] The Hungarian Democratic Forum has 27,606 members. As in any sociological group, approximately 30 percent of the membership is active. About 60 percent of these active members identify with Csurka as a person. With his persons; in other words, not necessarily with what he is saying. But Csurka is immensely popular within the MDF.

[Seres] How has Csurka been able to gain this popularity?

[Furmann] Evidently through his political activity, through his penchant for giving others a piece of his mind, by his outspokenness. When talking to people, Csurka uses a style that is easy to understand. Therefore he is undeniably popular within the MDF. In the autumn of 1991 we conducted an internal survey, in which Csurka prominently placed third in the popularity league tables. The respondents were also asked to rate various issues in the order of their importance. The issue of rendering justice was rated seventh or eighth, by a very small proportion of the respondents.

[Seres] In other words, the government's emphasis on the issue of rendering justice is contrary to the membership's views.

[Furmann] Yes, I too believe that we should recognize the realities and conduct our politics on that basis. We are in agreement on that. The respondents were also asked to rank in the order of their importance the following three expressions: Hungarian, democratic, and forum. Here the majority voted for "Hungarian"; "democratic" was ranked second; and "forum" received the least votes. But when it came to rating the future development of these three words, "democratic" received the most votes by far. Such surveys are very important, even though it is not always possible to draw far-reaching conclusions from them. If I have any reason to be an optimist, then it is because I am

familiar with the membership to some extent. We—the officers of the MDF, in other words—too are at fault in that these demagogic forces are now able to dominate our party's outward appearance, because we have truly deserted the members.

[Seres] How much of the blame can be apportioned to the party's president, Prime Minister Jozsef Antall? Has he not made too many concessions to this tendency? In the opinion of some people, Antall is being held captive by Csurka and his followers.

[Furmann] Jozsef Antall's scope has to be judged from several points of view. Within the party he has done everything a party president could possibly have done, but that fact has not been made public. Obviously, his scope as prime minister is quite different, for he has to take also other considerations into account, instead of having to deal with just the MDF. Of course, everyone realizes that if the MDF is unstable, then the government cannot be stable either. In my opinion, immediate and very decisive action must be taken against the negative phenomena, otherwise later on we will have to prove in the case of every decision that we have not made it under the pressure of those phenomena.

[Seres] As prime minister, Antall obviously has to pursue a middle-of-the-road course that takes Europe into account. But as president of the MDF, he ought to be satisfying also the demands of a party membership that does not think along the same lines on every issue.

[Furmann] The preferred term these days is party of the center, rather than middle-of-the-road party. Because more and more parties are attempting to pass themselves off as middle-of-the-roaders. I have already said to them that if they are the middle of the road, then we are Skala Metro [a department store chain] and the MDF is the Fehervar Department Store. I dislike these terms, and also the fact that some people are attempting to present us as if these two extreme poles—the populist-nationalist tendency and the national liberal tendency—had clashed. Actually a single group is waging a power struggle within the MDF against the present government, wanting to transform this government in the group's own image. We likewise are not enraptured by the government's performance, but consolidation under Antall at least provides an opportunity to build European democracy. The other side, with its recalcitrant demagoguery, is not offering any sort of solution. In fact, it is even hampering the development of democracy. Demagoguery thrives where things are not going well.

[Seres] You have used an expression of evil memory. It was customary to speak of consolidation under Kadar, after the period of struggle on two fronts.

[Furmann] Here the struggle is not even on two fronts, but on many fronts. Here, of course, I am not talking about consolidation in the Kadian sense, but about real consolidation, about people not having to fear that what they had acquired might be taken away from them. About their not having to fear a possible reversion, or the suspension of the publication of newspapers. Hungarian society is functioning, and it is undeniable that certain processes did take

place here during the past ten years. Even today there is a good chance of our becoming a European nation. Due to the multitude and novelty of the tasks confronting the government and Parliament, this is all they have been able to achieve. But even that much is an enormous accomplishment. In a country where there is a market economy, without a market.

[Seres] If people are aware that not the government has been the cause of all the trouble, then why is the government so unpopular?

[Furmann] I do not share the view that the MDF is an unpopular party. According to a public-opinion poll conducted in Pecs, for instance, FIDESZ [Federation of Young Democrats] ranked first with a 36-percent approval rating; the MDF was second with 10 percent; the SZDSZ [Alliance of Free Democrats] had a 6-percent approval rating, and so on. Of course, we are functioning as a ruling party, rather than an opposition party. Tough decisions have to be made about unemployment and welfare problems. We really cannot expect people to love the government. In spite of all this, we rank second. Which means that the MDF will be a factor in forming the government also in 1994.

[Seres] Do you seriously believe that?

[Furmann] I am quite certain about it. One has to consider the popularity and performance of the other parties as well. The MDF is a continually functioning party, which in itself is no small thing. And it certainly will not fall apart, if only for pragmatic reasons. It would be important for the party to retain its programmatic character in 1993, and to avoid becoming an ideological party—a Christian party, for instance. After the elections the MDF would then be able to form alliances with other parties whose programs are similar to the MDF's own program. FIDESZ unquestionably is one such party, and there are similar groups within the other parties as well.

[Seres] Would that be perceivable specifically with the SZDSZ as well?

[Furmann] Yes, but not with the whole SZDSZ. Every party today is a catchall party; their values have not really been able to crystallize or polarize. Recently I debated Peter Hack in Pecs. Anyone who was there can confirm that, to the SZDSZ and MDF members who were present, we were able to demonstrate political behavior of the kind which left no bad feelings behind. All six parties ought to help dispel the political apathy, otherwise very few voters will be deciding the outcomes of elections.

[Seres] Mr. Furmann, you actually are a dissident within your party. Are you sure that you have chosen the right party for your political activity?

[Furmann] That is a very difficult question. This is how the party accepted me at the time. My political activity was no different in the past either. In 1988, the first provincial forum was held in my home in Miskolc. That was when the MDF emerged from its national isolation. "Entrepreneurship, State, and Society" was the title of our meeting. Twenty of us dared to meet. Laszlo Lengyel held the main lecture. I realized already then that either we uphold our

values and set everything else aside, or it is meaningless to engage in politics. The reason why I have not been feeling comfortable within the MDF lately is that too much time and effort has to be devoted to warding off the destructive forces. I did not switch from a civilian career to politics in order to waste my time on such matters.

[Seres] How can you be in the same party with the author of a flagrantly racist essay? It is full of anti-Semitic expressions. And a large proportion of the party's membership base has hardly distanced itself from this essay.

[Furmann] There are extreme manifestations in every party. The nastiest extreme, in my opinion, is to engage in politics on a racial basis. There is no way I can accept that. I would have acted far more decisively and drastically than the party's leaders have done. What I regard as truly dangerous is when extremists dominate the field, place themselves in a position to call the shots, and the party is unable to handle them.

[Seres] But Csurka's essay is not merely one of the many extreme manifestations. It is a virtual watershed that has split the party.

[Furmann] Yes, and it is no accident that we have taken up the fight against it so forcefully. We had to oppose these views. Within the MDF, realization of what was going on came late. All this has dashed our popularity completely. It has to be said that the popularity of the national liberals within the party is equal to zero. We have been floored. If the national convention scheduled for January adopts a decision that is able to handle these manifestations, then fine. If not, there will be no room for us in this party.

[Seres] How long will you actually be able to hold out in the MDF?

[Furmann] A person is able to endure this as long as he believes that the demagoguery cannot prevail, and there are indications that it cannot. The question of our responsibility also arises here, and that is why we are in a fix. One could walk out smartly. But that would be like being tossed out from a pub, getting up, dusting off your clothes and saying that you had wanted to leave anyway. We recognize what danger this demagoguery is posing for society, and we will strive until our last breath to stop it.

[Seres] A while ago you mentioned how much importance you are attaching to the national convention in January. Does this mean that you and Istvan Elek will decide on the basis of the convention's outcome whether to remain in the party?

[Furmann] One cannot put it that way. Istvan Elek and his followers are members of the parliament. Consequently, their responsibility is at least three times greater. It would be possible to continue to engage in politics also for pragmatic reasons. If in 1993 decisions are not adopted of the kind that will put an end to the extreme manifestations, then—and here I am speaking only for myself—I will choose another form of political activity. I already have plans for that contingency, but it would not be prudent to discuss them now.

[Seres] Could you at least reveal whether you are considering some other political party?

[Furmann] No, that is not what I said. I merely envisage a different organizational structure for engaging in politics. By 1994, the political palette will have changed anyhow.

[Seres] Would you and Elek be willing to continue in your roles of dissidents within the party even if an unfavorable decision were to be adopted in January?

[Furmann] It is very difficult to play that role when you are being abused daily as a traitor or agent. I, for example, am continually being called an agent of the SZDSZ who is attempting to split the party. That is ridiculous. If for no other reason, because I too have helped to found this party. The other national liberals are likewise charter members, but that is something that tends to be forgotten. I do not know how this demagoguery, as frightening and alarming as it often is, can be handled: whether from inside; or by drastically breaking with it and opposing it from the outside. At the given moment I intend to decide where I can be of most use.

[Seres] Jozsef Antall continues to speak to this day of the well-known three tendencies within the party. To what extent is this self-deception on his part?

[Furmann] It is not self-deception. For if we use generic terms, there truly are three tendencies within the MDF. It is regrettable that these three tendencies have clashed over principles rather than over specific practical questions. Obviously, a liberal and a person with a Christian bias will respectively hold different views on protecting the lives of the unborn. We, for instance, have different ideas about privatization; we would like to see an acceleration of privatization, despite its negative effects.

[Seres] In conclusion, some inside information. Are you on speaking terms with Csurka?

[Furmann] Of course. After all, we are in the same party and encounter each other every Wednesday, at the meeting of the presidium. A person is on speaking terms even with his mortal enemy.

#### **Environmentalist Defends Gabcikovo Dam**

*93CH0218 Budapest FIGYELŐ in Hungarian  
10 Dec 92 p 15*

[Article by Tibor Holczer, chairman of the Environmental Protection Party Organizing Committee: "About Bos, the Umpteenth Time: Heretical Compromise?"]

[Text] According to the chairman of the Environmental Protection Party Organizing Committee, his party never supported the full or partial demolition of the already completed parts of the Bos power plant.

The natural environment near the Danube has continuously been devastated for decades, irrespective of the disputed power plant. This process cannot be halted by demolishing the power plant at Bos [Gabcikovo] or by converting it into a museum. The primary reason for this devastation is that reservoirs linked to hydroelectric plants in Austria and Germany prevent the continued movement of the bed load. As a result, the Danube basin is subject to

continuous erosion downstream from Vienna, because the river actually produces the bed load from its own basin.

The basin is becoming particularly deep at Pozsony [Bratislava], and in the 5- to 6-km stretch downstream. Due to the deepening of the basin, the so-called small water levels that come with a 1,000 meters<sup>3</sup>-per-second water flow have sunk by more than a meter during the past 20 years, and with that, ground water levels have also sunk. As a result of this the forests in the flood plains have practically dried out. And this process continues.

"Bos-Nagymaros" has become a symbol: In addition to "Stalinist megalomania" and "the destruction of the environment by technocrats," it is also the symbol of all the crimes and mistakes of the one-party state, of the central-plan directed, state monopolist, kadarist, communist, etc. dictatorship.

Environmentalists had nothing to do with this process, but the new or very old actors in political and public life, which is becoming democratic, had the more to do with it. The latter group of people discovered that the simplest way for them to rid themselves of their past political and public lives would be to take a stand against the "Stalinist monster" hydroelectric power plant, and to use "Bos-Nagymaros" as the biblical scapegoat, and to attach all their previous crimes to it.

They demanded that the entire investment be halted and that the finished works of art be demolished. They were able to do this even more so because the "water resources lobby" has rigidly refused to evaluate ecological counter-arguments, and to develop solutions that would be appropriate under the changed circumstances.

As a result of this process, most parties running in the elections committed themselves to cancel the interstate agreement and to stop the investment even before an attempt was made to hold bilateral or trilateral expert negotiations or substantive professional debates, to test the facilities, or to develop alternative experiments. Substantive debates and bilateral negotiations had come to a halt as a result of these commitments.

After the elections, persons heading government offices that dealt with hydroelectric power plants did not even have the minimum professional competence needed, and did not command moral respect or carry political weight to make any significant initiative. Loudmouth demagogues as well as so-called experts have worked and continue to work around them; their sole achievement worth mentioning was that they were opposed to hydroelectric power plants. The idea of proposing something better than what they criticized has not even arisen.

The C variant was designed as a result of all these factors. According to the Hungarian foreign minister, we are the victors in a moral sense. The European press is discussing the possibility of leaving to themselves two overly sensitive societies, while Hungarian diplomacy has achieved a possibility for Hungary to lose a suit at the International Court of The Hague after years of litigation. All this has happened even though a solution could be found.

The volume of water to enter the new, artificial side branch could be determined by the volume of water flowing through the Old Danube at any given time, i.e., by the natural, measurable water level where the new river branches out. This means that less water would flow into the new branch when the level of water is low, and more water when it is high. By logic, this would also mean that water levels are low, and when little water flows down the Danube, most of the water would remain in the Old Danube basin.

The Bos hydroelectric plant should not operate in a peak or continuous mode, but depending on the volume of water flow; in other words, the amount of electrical current produced would not depend on demand established by consumers, but by the natural water flow of the Danube. When water levels are particularly low, the production of energy could even halt periodically.

The Dunakiliti dam could also be placed into operation. This plant, however, could operate independently from the navigation channel and from the Bos power plant, and would not provide for constant damming. It would merely regulate the water level and the ground water level at the Szigetkoz segment of the river. With its help, the Szigetkoz and the Csallókoz could be irrigated from "down below" in times of drought.

Serving as a public road bridge, the dam could significantly shorten the length of travel for residents of Dodorgaz [Dobrohost], Vajka [Vojka nad Dunajom] and Kisbodak in reaching Dunakiliti and the Szigetkoz.

No reservoir would be built on the Danube, nowhere would there be constant damming, and, consequently, nowhere could we find permanent high water levels and nowhere would there be slow water flow or conditions similar to stagnant water. We would not see damaging processes (like the pressing of polluted sludge into lower ground levels) that could pollute the important potable water reserves.

[Note: Map not reproduced here.]

#### Possible Referendum on Early Elections Discussed 93CH0225A Budapest BESZELÓ in Hungarian 12 Dec 92 pp 10-11

[Unattributed article: "If the People Decide"]

[Text] People living under the poverty level initiated an action to move forward the date for parliamentary elections. What will they be able to achieve by collecting the 1,000 signatures needed for a referendum to dissolve parliament?

#### A Referendum May Decide on New Elections

FIDESZ [Alliance of Young Democrats] argues against the initiative for a referendum by referring to the Constitution's provisions regarding parliament's dissolution and to the fact that representatives cannot be recalled. On the other hand, according to the provisions of statute 1989.XVII, a referendum may be held on any decision which normally falls under parliament's authority. Subsequently, the referendum obliges parliament, which consequently may not make a decision that is contrary to the outcome of the referendum (Article 4). A subsequent

modification of this statute excludes only a few itemized decisions. On the other hand, Article 28, Paragraph 2 of the Constitution has clear provisions that parliament's dissolution and new parliamentary elections fall under parliament's jurisdiction. Thus, parliament may be compelled by a referendum to dissolve itself. A national referendum may only be ordered by parliament (Statute 1989.XVII, Art. 9, Par. 1) but, as we all remember, the statute on referendum provides that anyone may initiate a national referendum and in case 1,000 signatures in support are presented, parliament is obliged to order a referendum. Incidentally, parliament may voluntarily do this if at least 50,000 signatures are presented.

#### **When?**

If there are 1,000 signatures and the initiators have presented them to the speaker of the house, who must take them, parliament has 30 days to verify the authenticity of the signatures. If they are in order, it must order a referendum within two months, which then must be held within three months from the date of the order. If half of the voters plus one person participate in the referendum, then its outcome is valid and simple majority wins. If the vote of 50 percent of the voters plus one person is for an early election, parliament must immediately sanction the will of the people, i.e., more precisely, in an extreme situation, the will of 25 percent of the voters. After parliament passes a resolution to dissolve itself, new parliamentary elections must be implemented within three months in accordance with Article 28 of the Constitution. By adding these time frames—assuming, of course, that the collection of supporting signatures is successful, that a sufficient number of people participate in the referendum, and that the majority of the valid votes demand an early election—it becomes evident that new elections must be held within nine months from the time the signatures are presented. They may be held sooner but a minimum of three months will still be needed even if parliament does not delay the process. Regular elections will be held in 15 months and thus the referendum could shorten the present term by six months, at a cost of approximately one billion forints (based on data published by the press). However, it is an important circumstance that these six months include the 1994 budget; if the elections take place six months earlier, then the next budget would be approved by the new parliament.

#### **Can a Referendum Be Blocked?**

By legal means, it is not likely. It would be rather easy to collect 100,000 signatures today, for everyone has reasons to be dissatisfied with parliament and the administration. None of the public figures have the prestige that would hinder at least 100,000 persons to distance themselves, and the combined prestige of several persons would not make much difference either. Of course, parliament could change the referendum law and could greatly impede the initiative, but this would not be easy either for the parliamentary parties would more or less have to agree on this issue and would have to publicly acknowledge their opposition to the referendum. In its competition for voter support, this body of fragile legitimacy could hardly risk that. It would be particularly piquant if the MDF [Hungarian Democratic Forum], the largest government party, would be the one opposing the idea

of a referendum, for it speaks continually about the people's will. Thus, parliament can change the preconditions for a referendum only with a questionable outcome and nonnegligible political risks, and the MDF would no doubt suffer the greatest loss. Perhaps FIDESZ, the most popular party, would be most likely to succeed in something like this. It would perhaps succeed in making people believe that it is acting in the interest of political stability and not party interests, for it will certainly do well in the next elections, unlike the government parties which will probably suffer losses.

#### **Who Has an Interest and What Kind?**

However, FIDESZ has not prepared itself for the elections. It has been only recently that it began converting its popularity into success at the elections, i.e., building a national party organization. So, earlier elections would not be of any benefit to it, and opposing the earlier elections—in parliament, of course—would precisely coincide with its party interests.

The SZDSZ stabilized itself just recently and justifiably expects in the coming months to increase its popularity and its chances at the elections. A shortening of the time available for it to accomplish this would not help much although the party could expect better success in the early elections than the MDF, its rival.

The Hungarian Democratic Forum is at present in a state of maximum disarray. It is struggling to put its rank and file in order. This would be made almost impossible by the explosion of the referendum campaign into political life. It would be more advantageous even for the far right of the national-socialistically inclined MDF, which is striving for absolute government power, to increase its influence on its home base, i.e., to win over the governing MDF than to jump into an open election race. It could reach the finish line with greatly reduced risks, and even if it loses within the MDF at its national convention in January, it still has mandates in parliament. And, outside parliament, it has an organization and an independent financial base, thanks to the Hungarian Way Foundation.

The FKGP [Independent Smallholders Party] has practically fallen off the stage of politics, in part because of their own doing and in part because of the prime minister's tactical bravura, and, thus, their interest and views can be ignored at this time.

The KDNP [Christian-Democratic People's Party], too, will probably increase its weight in the new elections. Moreover, thanks to its legal relationship with the churches and to its government position, it is, from the aspect of organization, more prepared than FIDESZ is. Nonetheless, it is hardly in a position to urge for the new elections, for it cannot be certain, even in case of much better election results than those in 1990, that it could maintain whatever small position in the government that, it must be acknowledged, it uses quite successfully at present. The quiet KDNP, loyal to the government, was able to increase by billions the amounts of money slotted for the strengthening of the churches, and was able to greatly speed up the return of church assets by taking advantage of the budget debates. From the aspect of the future strength of the churches and the KDNP, the next, 1994, budget is an extremely important act; it will make a difference

indeed whether the Social Democrats will go through the process as part of the government or part of the opposition. Thus, the KDNP is not likely to want an early election. The new parties, too, are on the field: that of Palotas and that of Imre Pozsgay. Obviously, early elections would not serve them well, since they have a lot of catching up to do in comparison with organizations which already receive budget subsidies and with parties which already have a social base.

Let us close by looking at how the MSZP [Hungarian Socialist Party] sees the referendum, i.e., an early election. Gyula Horn had already brought up the idea a few times earlier. The MSZP would draw considerable benefits from an early election. Although its popularity is gradually increasing—and this trend would hardly be broken by some petty legal actions taken to secure justice or by taking the rolling dollars issue off the back burner—the fact that a significant part of the voters still actively and intensively reject the past 40 years would probably present a great obstacle. Sooner or later, the reserves will be depleted; perhaps everyone who does not have any moral or political objections against a Soviet-type socialist order has already joined the MSZP camp. On the other hand, the continuous references to the past of a few top MSZP politicians, which are annoying after all and which the great government party plans to resume with renewed force, could be washed away, or made insignificant, by the political waves elicited by a referendum. Moreover, by having the government resign, the MSZP could maintain many of its good people in their financial and official positions, for in six months the administration could remove more such persons in proportion to this time frame.

#### Risks

A great risk of a referendum and an early election is that the appearance of stability would be destroyed in Hungary's international evaluation. But, aside from the appearances, a dangerous precedent would be created that would steer the political struggle in a very bad direction. Instead of finding agonizing solutions to our grave problems, instead of forcing detailed reconciliations of interests, dissatisfied groups could continually strive to oust the government and parliament, thereby destroying even the scanty strength of our meager democracy. At this time, a savage and uncontrollable campaign would probably take place, not without the emergence of the far right pointing a finger at the nation-wrecking left wing. However, it is another question, how many destabilizing factors we can reckon with in case the initiative for a referendum fails. The passing of laws that require a two-thirds majority, which are indispensable from the aspect of the functioning of our democratic institutions, will continue to be delayed, and the absence of regulations regarding the supervision of the police and the electronic media, the escalation of the campaign to discredit the president, and the aggressive actions against Gypsies and foreigners would have the chance to undermine the foundations of a democratic Hungary for another 15 months.

It would probably be the best solution in this dangerously unstable situation if the democratic political figures would try to negotiate with the organizers at the very beginning of the initiative for a referendum in order to have them abandon their plan. Should that not lead anywhere, then the results of the election, that is, the trust of the voters, would be the only thing worth fighting for. Should a valid referendum decide that the first freely elected parliament should NOT be ousted and most voters would be satisfied with waiting another six months to manifest their political assessment, then our parliamentary democracy would not be destroyed but would be strengthened. It sorely needs it. However, we must work hard to accomplish this. There is no chance without normal cooperation between the parliamentary parties.

#### Interior Ministry Plans 400 Police Stations

93CH0235B Budapest UJ MAGYARORSZAG in Hungarian  
14 Dec 92 p 1

[MTI report: "400 Police Stations"]

[Text] According to the Interior Ministry's plans, by 1995 there will be 400 police stations around the country. The station that opened at the Somogy County settlement of Bohonye, said Minister of Interior Peter Boross at Saturday's dedication ceremony, would be a part of this nationwide network. Of the eight local governments operating in the region, six have contributed funds to help set up the station, which will be manned by a staff of eight officers. The minister stressed that the officers assigned here and all of the other stations would have their work cut out for them, as they would be expected to deliver miracles that were unattainable, because putting one station into operation would not eliminate crime. What we must and could already do, he said, was to ensure that all settlements of 2,000 residents or more had a police station by the time the program was completed, and that none of these be located more than 20 km apart, said Peter Boross.

Last Sunday, another police station was dedicated under the same program—again in the presence of the interior minister—in the neighboring village of Nagybajom. Thirteen officers will be assigned to serve there, who, counting all of the partner settlements within their jurisdiction, will be responsible for the safety of nearly 8,000 people.

#### Central Bank Official on Monetary Policy

93CH0218E Budapest FIGYELO in Hungarian  
10 Dec 92 pp 41-42

[Interview with Sandor Czirjak, Hungarian National Bank vice president, by Adrienne Kurcz; place and date not given: "Central Bank Interest Rate Policies; Gradual Decline in the Reserve Rate"]

[Text]

**Hungarian National Bank Interest Rates (%)**

	1991				1992						
	Until 9 Feb	1 Mar	1 Oct	15 Oct	16 Mar	27 May	24 Jun	10 Jul	11 Sep	5 Oct	15 Oct
On reserves accumulated after forint sources	15.4	15.4	15.4	11.0	11.0	9.0	8.0	6.0	4.0	3.0	3.0
On reserves accumulated after foreign exchange sources	—	34.8	35.2	29.0	22.0	20.0	18.0	14.0	13.0	12.0	12.0
Central Bank basic interest rate	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	21.0

[Kurcz] "The central bank changed its benchmark interest rates several times in the course of the year. Most recently it also reduced the basic interest rate." Some believe that these are logical and expected measures in light of a declining inflation; others, however, claim that the central bank disregards lending risks and that it forces upon commercial banks the lower interest rates. What do you have to say about this?

[Czirjak] The central bank is able to exert an indirect effect primarily on the interest rates payable by commercial banks on deposits—e.g., as a result of interest paid on securities issued by the state—and aside from special credit structures, it is able to influence interest charged for lending money only through other intermediaries. Whenever the central bank endeavors to implement interest rate policies consistent with declining inflation, it also endeavors to reduce the lending risks of commercial banks. If interest rates on loans are so high that the real economy is unable to pay the interest, the client is going to go broke, and the bank is going to receive neither the interest nor the principal.

[Kurcz] What is the primary factor that influences the central bank's interest rate policies?

[Czirjak] The way economic processes evolve, and the central bank's information-providing role. In developed market economies central banks affect only a small part the economy, notably the money market, or, one could say, that the central bank provides indications or prognoses for the money market. The influence of central banks on market economies is much more limited; it pertains primarily to short-term interest rates, because long-term rates are determined by developed capital markets. The latter, in turn, are determined by the expectations of those involved in the economy—the expectations of domestic and foreign participants in a market economy that is also open on the capital market side.

But let's take a look at the way this works in Hungary! For the time being, the money market plays a greater role than the currently evolving capital market, and the MNB's [Hungarian National Bank] role as an advance indicator has become significant only in recent years, because it has functioned as a real central bank only to a limited extent for a long time. Even a few years ago the MNB was viewed as a simple tool for financing the budget, and within Hungary it operated in part as a commercial bank. But the MNB was able to surrender most of the functions that were

forced upon it, because the magnitude of central bank credits to the budget and for commercial bank refinancing has substantially decreased during the past year and a half. The ratio of funds now needed for the short-term refinancing of banks amounts to only 1-2 percent of the bank's resources. I must add, however, that still today, 70-80 percent of long-term outplacements remain in the form of refinancing loans. For the time being, the MNB is forced to assume a greater role in formulating interest rates—also in regard to some capital market interest rates—and it does so by determining its benchmark interest rates.

[Kurcz] From a practical standpoint, banking profits have fallen off. And since their outplacements continue to deteriorate, banking risks are on the increase, and the cost of this increase becomes part of the interest charged. Does the MNB take all this into consideration when establishing benchmark interest rates?

[Czirjak] Banking profits are indeed significantly declining this year, but part of this flows from the fact that, consistent with the financial institutions and accounting laws, financial institutions have used much of the difference between their revenues and expenditures for reserve accumulation purposes. The decline in profits is so spectacular because previously banks showed greater profits than what could have been realistically justified based on the quality of their portfolios. While the national bank reduces the benchmark interest rates—as I mentioned before, this influences the source costs of banks, other segments of the economy cannot borrow directly from the central bank—the commercial banks can determine the amount of interest they charge on loans. The amount of profit made by banks from lending money is fundamentally determined by the interest differential—the difference between the interest paid on deposits and on refinancing loans on the one hand, and the interest earned on money lent to enterprises, on the other—and by credit losses. I will note, however, that the larger part of profits earned by banks operating in West Europe is not derived primarily from this interest rate differential, but much rather from commissions earned by providing various banking services.

[Kurcz] Considering the increasingly deteriorating liquidity position of banks, don't you think that the mandatory 16 percent reserve level—extremely high even on an international scale—is too high and that the 3 percent interest paid after that is too low? This is particularly true if one considers

that banks still obtain these resources in exchange for paying more than ten percent interest.

[Czirjak] Harnessing inflation and establishing the external balance were the most important tasks in 1991 and 1992, because as a result of the rapidly increasing volume of indebtedness we were threatened by insolvency. As a result of these two considerations, interest rate policies were aiming for the MNB to syphon away the accumulated excess liquidity from the commercial banking system, but this was accompanied by increasing interest levels which appeared to be acceptable along with an accelerating inflation. Along with the high interest rates the central bank paid a significant amount of interest after mandatory reserves, as a result of which it was repeatedly criticized by the Finance Ministry.

Late last year the economy took off on a new course, because a positive balance of payments and the continuous influx of operating capital became characteristic. A significant number of reasons that caused inflation to grow have ceased. Had the central bank continued to endeavor to syphon away liquidity from the commercial banks, thus maintaining high interest rates payable on deposits, the country's volume of indebtedness would have dropped drastically and to an unnecessary extent as a result of a further decline in domestic demand and the improvement of the external balance. For this reason the MNB left the excess liquidity derived from savings and from improvements in the external positions with the commercial banks. In theory, one could have expected two results to flow from this. One of these would have been accelerated lending; this could not come about along with the given real interest rates. But the other expectation, reduced interest rates did finally materialize, even though with a delay. The central bank has reduced the interest paid after reserves consistent with money market interest rates.

At the same time interest paid on deposits declined to a greater extent while interest earned on loans declined to a smaller extent. One of the reasons, perhaps the main reason, for this is the increase in lending losses; the constraint to build reserves to offset these losses, and the 16-percent mandatory reserve level are also elements of this. This burden represents almost 3 percentage points within the interest rate differential, according to our as well as the commercial banks' calculations. But even at this price there is a need to regulate the reserve rate because, should the volume of reserves decline greatly, the ability of the banking system to produce money would also become derailed. This, on the other hand, must be restrained by the central bank. Incidentally, the MNB plans to gradually reduce the reserve ratios next year along with a substantially lower level of interest rates. Undoubtedly, central bank reserves also represent a certain transfer of income in the direction of the budget through the banking system, the extent of which should be significantly reduced in the long term. Among the means available to the MNB, medium and long-term credits

granted to the state budget weigh heavily, but the interest earned on much of these funds is not at the money market interest rate levels. On the other hand, on the source side, the ratio of long-term deposits by banks is significant. Precisely for this reason, these do not earn interest at money market rates. Full conversion to money market interest rates can be achieved in the long term by converting state indebtedness incurred a long time ago into securities.

[Kurcz] Although it is true that the central bank maintained the interest rates on long-term deposits at low levels, and thus signaled to the economy that the inflation rate would not be high in the long term, those active in the economy did not really take this into consideration.

[Czirjak] The problem is more complex than that, because whoever has failed to take this into consideration and has issued long-term securities with a high interest rate has lost money on this business. And we can also see signs that the economy has gradually accepted this inflationary forecast, because prices did not increase faster in the aggregate. There will be a significant negative real interest on short-term savings this year, because interest paid on accounts is 10 percent while the average inflation rate is going to be somewhere around 23 percent. The nominal interest on long-term savings deposits is higher, and if this trend continues, savers could earn real interest based on a 28-to-20-percent nominal interest.

[Kurcz] How does the huge volume of mutually competing securities to be dumped on the market by the state, the social security, and the guarantee funds influence MNB interest policies and the rather undeveloped money market?

[Czirjak] Everything depends on savings. This year the huge volume of savings absorbed almost 200 billion forints' worth of securities. Insofar as the future is concerned, the big question is whether individual savings continue to remain within the banking system, or if they are going to be invested as capital. This year it was possible to finance the overcommitted state household because the pace of savings accumulations was faster than the pace by which the budget deficit evolved. Thereby one revenue center expended the money accumulated by the other, and this did not have a significant inflationary effect. Next year, however, savings could turn into investments, and could be used to purchase stock. This would be favorable and necessary from the standpoint of investments, but could cause tensions in the money market.

#### Ramifications of Privatization Considered

##### FIGYELO Introduction

93CH0217A Budapest FIGYELO in Hungarian  
10 Dec 92 p 1

[Unattributed article: "Privatization, a Treasure That Does Not Exist?"]

[Text]

**State Enterprises Converted Into Business Organizations**  
**Recognized Value in the Course of Transactions**

Billions of forints	12/31/90	12/31/91	7/31/92	10/31/92
Total	41.5	465	1,303	1,339 <sup>1</sup>
Self-privatization	0	2	16	16
Enterprise or investor-initiated	41.5	281	366	398
State-initiated	0	182	921	922

<sup>1</sup>[As published; last column does not add up.]

Although we have been hearing for months that the government was going to make a decision within weeks and even days about privatization credit certificates and letters of credit, this has not taken place as we go to press.

According to certain expert estimates, property worth 100 billion forints of the state's 2,000 billion forints' worth of entrepreneurial property has been sold; property worth 1,000 billion has been transferred to the AVRt [State Property Management Corporation], 300 billion forints are slated to be transferred to social security, and 100 billion forints' worth to local governments; another 100 billion forints' worth of property would be given to workers in the usual manner; estimates of the amount to be paid to creditors by near-bankrupt enterprises ranges between 200 and 300 billion forints; 60 billion forints' worth of assets were promised to be earmarked for compensation purposes; and certain buyers hold options for about 40 billion forints' worth of property.

Based on these rough estimates the value of state property already sold, promised to be given away, and intended to be retained is equal to the book value of available assets. The book values and market values of enterprise assets differ, of course; no reliable information exist, however, as to how the differences between book values and market values will be disposed of, let alone estimates about the amounts involved in these differences. Accordingly, it is appropriate to ask where the oversupply of property to be privatized is, the oversupply usually referred to in discussions about the artificial stimulation of demand for property to be privatized.

**Corporate Conversion Viewed**

*93CH0217B Budapest FIGYELO in Hungarian  
10 Dec 92 pp 12-13*

[Article by Eva Voszka: "Privatization: What Benefits Does Conversion to Corporations Produce? Government Offices Will Hardly Be Good Owners, Regardless of Whether They Are Called Agencies or Stock Corporations"]

[Text]

**Number of State Enterprises Converted to Corporations<sup>1</sup>**

As of	Enterprise or Investor-Initiated	State-Initiated	Self-Privatization	Total
12/31/90	25			25
12/31/91	175	25	25	225
8/31/90 <sup>2</sup>	225	50	150	425
10/31/92	270	40	185	495

<sup>1</sup>Number of conversions approved by AVU [State Property Agency]

<sup>2</sup>[As published; should be 1992]

All state enterprises must convert into corporations by the middle of next year. This will accelerate privatization, according to the government, because it will offer firms for sale in a form familiar to buyers, and will save time when it comes to property appraisals and the registration of firms. Previous years' experience, however, clearly demonstrates that converting state enterprises into corporations alone does not provide any assurance of transferring an enterprise into private hands. Moreover, it is questionable whether such conversions improve the chances of privatization.

Enterprise conversions have been going on for half a decade. Although the changing of organizational forms in the late 1980's had differed from conversions that took place in recent years, comparing these differences and

similarities is useful from the standpoint of projecting the advantages and limitations of future mass corporate conversions.

The most important common, identical feature of "spontaneous privatization," and the presently ongoing conversion wave is the continued dominance of state ownership, i.e., the failure to privatize. The institutional conditions for exercising ownership rights, however, change in both instances. In the late 1980's the new "owners" were property management enterprises called "holdings" and creditor state banks (supplemented by buyer and supplier enterprises, cooperatives, and perhaps certain organizations of regional administration). At present, the new organizations empowered to exercise ownership rights are the AVU and the AVRt, and, to a smaller extent, local governments.

The difference is apparent. The first kind of conversion wave was characterized by the decentralization of ownership rights in a dual sense. The dispositional authority of business organizations (enterprises, financial institutions) increased, while the shares of stock, and business shares of individual firms were held by several owners. In contrast, as a result of today's conversions, a several-decades-old trend of reallocating ownership rights has taken a turn in the direction of formal centralization. Dispositional authority over assets has been given (returned) to governmental, state administrative organs and to bureaucrats, moreover, this was done in a manner that in general, individual firms now have only a single owner, (or two, at most). Thus the ownership structure undoubtedly became more clear-cut and more simple; at the same time, however, it also became more bureaucratic and more concentrated.

The continued maintenance of a state character is not the only similarity, however. Another common feature is the fact that the owners have not acquired their new positions based on rational business considerations, but as a result of constraint (positions inherited from the past, the force of law). In part for this reason, and in part due to the limited scope of information, interest, and risks assumed, the new owners not only act under constraints, but are also weak owners, as compared to private investors. (There are differences of course between individual firms, and from this standpoint, we find enterprise headquarters that became property managers and the AVU, respectively, at the two ends of the spectrum.)

From the standpoint of corporations we find yet another similarity: the new firms are being formed without the influx of additional capital, and the appraised value of assets is closer to the recorded book value than to their market value. Endeavors pursued by enterprises hinder the market value appraisal of assets in both cases. In addition, while in the earlier conversion efforts shortcomings in terms of experience and methods had been considered, in the present conversions, the speed of conversion prescribed by administrative means has come into play. Not even centralized control which manifests itself mostly in formalities will be able to counter enterprise interests to lower the value of their assets, due to the large number of conversions and the speed by which conversions must be accomplished. Appraisals overestimating the value of assets would diminish the chances of selling the firms.

The chances of privatization—the long-term goal of the government—has become more doubtful due to a few other factors under the present conditions, as compared to corporations that resulted from "spontaneous privatization." To begin with, one of the most important characteristics of the earlier wave was the decentralization of organizations, mainly because the previous conversions were based on compromises between large enterprises and factory management. Under centrally directed conversions enterprise management need not reach agreements with the managers of subordinate units, thus the constraint to break up enterprises into smaller units is weaker. On top, the obligation to quickly complete these transactions, and thus the need to find the simplest possible solutions, will

provide a good excuse for (large) enterprise managers, whose interests are opposed to conversion anyway due to the positions they occupy, to suppress any internal effort to become independent. After conversion, enterprise decisions affecting organizational decentralization also come under the authority of central organizations that exercise ownership rights. The record of the past decades, and of the AVU's functioning show that staffs of this type are far more interested in combining than in separating functions.

Second, even though "spontaneous privatization" was not accompanied by the influx of additional capital and with a reduction in the volume of enterprise indebtedness, in principle it enabled enterprises to manage their debts. To accomplish this, one available alternative was the distribution of loans assumed and of other burdens among the firms that became independent, alternatively, the conversion of debts into stock. Such steps cannot be taken in the framework of the present wave of conversions. The new owners—the AVU and the AVR—could perform such transactions later, but the large number of conversions, and the information and time required for distribution and conversion is likely to slow down this process. In this instance the situation is once again the same as in regard to organizational decentralization: Bargaining among business organizations would lead to quicker and more rational solutions than governmental staff decisions. In the latter case, once again based on the experience of past decades, this would much rather occur in the form of selective rescheduling or forgiving of debts, together with all the known disadvantages of preferences given to individual enterprises.

Third, the fact that "spontaneous privatization" itself improved the financial statements of stock corporations that have become independent, has also to do with debt management and organizational decentralization, insofar as it decreased the volume of indebtedness and the amount of interest to be paid, and increased the cost of cooperation within a group of enterprises and thus also the accumulated production indexes. Although these effects were only appearances and prevailed only in the short term, they represented relief allowing enterprises to catch their breaths, thus theoretically improving the chances of privatization. We cannot count on such effects in the present privatization wave.

Fourth, the creation of a number of corporations, and the entry of new owners resulted in the involvement of people in both ownership and management positions who were more secure and better motivated than the people holding these positions before. Although these roles and incentives were not as clear-cut and as strong as in the case of narrowly construed privatization, they represented progress as compared to the prior situation. In contrast, government offices, regardless of whether we call them agencies or stock corporations, will hardly become efficient owners. And what is even worse, hesitant steps taken by the managing directors of these firms in the direction of becoming entrepreneurs will be irreversible, they could manifest themselves as roles played by officials of the staff hierarchy. As we all know, this role is characterized more by personal dependence and bargaining with governmental organizations, than by market and profitability considerations.

**Number of Businesses Sold  
in the Framework of Preprivatization**

12/31/91	2,120
7/31/92	4,950
10/31/92	5,309

**Corporations Established by State Enterprises<sup>1</sup>**

As of	With foreign partners	With Hungarian partners	Total
12/31/90	30	20	50
12/31/91	50	70	120
8/31/90 <sup>2</sup>	65	80	145
10/31/92	70	90	160

<sup>1</sup>Number of establishments approved by AVU

<sup>2</sup>[As published; should be 1992]

Finally, and perhaps most important, the earlier method of conversion established an internal economic constraint for the continual changing of the ownership structure, including privatization. As can be seen from the sad fate of many corporations, the threat of liquidation quickly appears when firms try to convert their indebtedness without acquiring additional capital or markets. But in this, the second wave of conversions, the new owners are not motivated by direct economic constraints; from a formal standpoint, the decisionmaking authority of managers is of a smaller scope, and they are forced to accomplish a change in ownership to a lesser extent if they can once again expect help from the government. Moreover, these managers could become clearly counterinterested in accomplishing privatization if the state is grandiose, and if the state, as the owner, is weak in exercising its authority.

The basic type of "spontaneous privatization," the creation of several firms out of single enterprises in itself did not resolve the economic difficulties. Nevertheless, as a result of decentralization, dispositional authority, and organizational frameworks, it created personalities which, in response to economic constraints, were generally better prepared and capable of developing their own crisis management strategies independent from the state and from large enterprise hierarchies. The dismantling of large enterprises and the creation of a number of corporations represented only a transitional form of operation, nevertheless the direction implicit in these changes clearly pointed away from centralized large enterprise organizations and from state ownership, and in the direction of acquiring dispositional authority, the decentralization of the framework, and of privatization. The centrally initiated conversion campaign is marked by the unfavorable features of the previous wave of conversion, such as the shortage of private investors and supplemental capital, and the weakness of the ownership structure created as a result of constraint, but at the same time it also fails to produce effects that improve the balance sheets, and long-term economic constraints that serve as incentives. Restructuring, including the separation of large units and the alleviation of the debt burden, could, in principle, be

accomplished this way, but in many instances, the decision to do so is to be made by uninterested or counterinterested governmental organizations. There is a lesser chance for privatization this way, than in corporations established as a result of spontaneous privatization.

But since the constraint to convert into corporations is fixed by law, the most we can consider today is how to ameliorate the unfavorable consequences.

**Facts, Figures**

*93CH0217C Budapest FIGYELO in Hungarian  
10 Dec 92 p 13*

[Article by Bertalan Diczhazi, State Property Agency board member: "Facts and Figures—Privatization Is Genuine If Hungarian Private Persons or Foreign Investors Acquire 50.01 Percent Control, or Have a Right To Exercise an Option for Such Control"]

[Text] A significant number of corporations have been established, and a smaller number of enterprises have been converted into corporations even before the establishment of the AVU [State Property Agency] (in March 1990). In many instances, this took place as a result of converting the headquarters of an enterprise into a property management organization. Notwithstanding a subsequent AVU announcement of a program to privatize the so-called vacated enterprises, we cannot speak of a breakthrough.

The other chief model for conversion prior to March 1990 was the spontaneous privatization of domestic commercial enterprises escaping preprivatization. Private ownership did not become characteristic of corporations formed on the basis of the law on transformation either.

While in 1990, and in the first half of 1991, privatization accompanied by the establishment of new corporations and increased capital, as well as the sale of part of an enterprise's assets was characteristic; the full conversion of state enterprises and the sale of the state's share of assets became the definitive method beginning in mid-1991.

Significant privatization has taken place in the tobacco, distillery, sugar refining, and brewery industries, in road construction, and in the cement and paper industries, in retail trade, insurance, and in the industrial gases industry branch, as well as in the building materials industry (brick, tile, bricklayer materials, gravel), and in the press.

Privatization has begun and has progressed somewhat in the cannery and meat industries, at planning and design enterprises, in the synthetics processing branch, in the manufacture of household consumer items (refrigerators, stoves, lighting technology), in the installation industry, the printing industry, the manufacture of vehicles, the refrigeration industry, foreign trade, the paint industry, light industry and in certain branches of the machine industry.

From a practical standpoint, privatization has not begun in the grain, poultry processing, and dairy industries (except in regard to ice cream production), in the foundry, chemical, and the mining industries, at large banks and in a number of branches of the machine industry, in the

energy industry, in the cultural and health care fields, in the telecommunications and transportation branches of industry, as well as in public utilities (water, gas, sewage and remote heating service provisions). Within the machine industry and in the electronics sector new investments represent structural change and the growth of the private economy.

The book value of the 514 state enterprises converted as of 31 October 1992 amounted to 609 billion forints, while the market value of these recognized in the course of conversion was 1,339 billion forints. An additional 702 enterprises were converted on 31 October.

The sale of individual commercial, hospitality industry and consumer service organizations is expected to be complete during the first quarter of 1993.

Self-privatization accomplished with the help of consultants progresses at a slower pace than expected; only about 40 enterprises came under private ownership as of the end of November. AVU's privatization revenues barely exceed 1.9 billion forints. Forty-two percent of the revenues has originated from foreign investors, 29 percent from Hungarian investors, and 29 percent from purchases by employees.

Beginning early this year, the individual sale of smaller units (parts) of enterprises, i.e., decentralized privatization, outside of domestic commerce has gained strength.

Sales consummated as part of liquidation proceedings are probably going to gain increasing significance, because a number of state enterprises will find themselves in such situations. The advantage of such proceedings is that firms can be sold without a debt burden, and thus the privatized firms starting with "clean decks of cards" have better chances to renew themselves.

"Invisible" privatization is a peculiar process in which the markets of state enterprises are acquired by private corporations established by enterprise managers and employees. State assets do not change hands, but the activities performed by the state enterprise do. (In some cases the new private firms lease the assets of state enterprises.) "Invisible" privatization has gained significant proportions in foreign trade, in wholesale and retail trade, in the construction industry, at planning and design enterprises and in the service industry.

As of early October, compensation vouchers in the amount of 12 billion forints have been issued, and the issuance of 4-6 billion forints' worth of compensation vouchers may be expected in the coming months. According to AVU data, about 230 billion forints' worth of state assets have been sold in exchange for compensation vouchers.

AVU revenues based on state assets sold this year amounted to 59.2 billion forints as of 10 November 1992. Of this amount, 13.4 billion forints represented sales involving cash payments, 6.4 billion forints were financed by credit arrangements made in Hungary, and 39.5 billion forints were paid in the form of foreign exchange. Accordingly, the role played by foreign buyers remains definitive, even though it is declining.

[Box, p 13]

**Forms of Privatization**

- State-initiated conversion and privatization.
- Enterprise and/or investor-initiated privatization.
- Self-privatization with the help of consultants.
- Preprivatization.
- Decentralized privatization: the sale of factory units severed from an enterprise.
- Sale tied to liquidation.
- "Invisible" privatization.
- Sale of local government property.

**Finance Ministry Official on Bankruptcy Law**

93CH0218D Budapest FIGYELO in Hungarian  
10 Dec 92 p 25

[Interview with Eva Hegedus, deputy division director of the Finance Ministry, by Ervin Zsubori; place and date not given: "The Law Should Not Be Blamed for Bankruptcies; Is Mandatory Bankruptcy Declaration Going To Be Discontinued? Topics of Bankruptcy Law Amendments Expected To Be Developed This Year"]

[Text] *We will soon be celebrating the first anniversary of the effective date of the bankruptcy law. One can hardly talk about celebration, of course, because it would be odd to recognize about 4,000 bankruptcy filings this year, and twice as many liquidation proceedings, as some glorious procession. Regardless of the situation, it seems that an intent to make changes in the law has firmed up in government circles, too. We asked Eva Hegedus, Finance Ministry deputy division director, about the functioning of this ominous law thus far, and about changes they plan to make in the law.*

**Number of Business Organizations  
Subject to Bankruptcy Proceedings**

**According to the Number of People Employed  
(as of 31 October 1992)**

Number of Employees	Number of Organizations
20 or fewer	774
21-50	377
51-300	604
More than 300	216

[Zsubori] As part of the national economy, how much weight do the bankrupt and liquidated organizations represent?

[Hegedus] Based on last year's financial statements and as compared to all firms with dual bookkeeping, the organizations against which bankruptcy or liquidation proceedings have been initiated amount to one-tenth of the total number of firms as of September. At the same time, however, these organizations provided about one-quarter of the gross production value, 35 percent of the dollar exports, and by virtue of their 800,000 "workers," about

one-third of the number of persons employed (or 16 percent of the labor force). The assets owned by these organizations is about one-quarter of the assets owned by the organizations that comprise the comparative base, but their total receivables amount to only 7.4 percent of those within the comparative base. In contrast with this we find a significant volume of short-term and long-term indebtedness, which amounts to 11 and 23 percent, respectively, of the indebtedness of the larger, comparative base. Proceedings most frequently affect industrial firms, but the situation is also grave in agriculture.

[Zsubori] These are rather frightening ratios. What's the situation with proceedings that have already begun?

[Hegedus] The ratios are indeed not low, but one must recognize that the present condition of the economy was not caused by the bankruptcy law; it only brought the problems to the surface. Unfortunately, insofar as actual proceedings are concerned, several months pass between filing for bankruptcy and the publication of notice; this is primarily due to the excessive case load courts must handle, and this delay causes significant economic damage, further increasing the ripple effects. The number of ongoing bankruptcy proceedings is only half the number of bankruptcy filings for which notice has been issued. In the framework of liquidation proceedings the ratio is even worse: The ongoing proceedings represent only 20 percent of the number of filings. Thus the weight of this group of firms is also much smaller in the national economy.

[Zsubori] Quite obviously, the number of completed proceedings is even smaller. Reaching an agreement is the main goal in bankruptcy proceedings. To what extent was the observance of this requirement characteristic?

[Hegedus] Half the number of bankruptcy proceedings initiated were completed, and agreements were reached in about 60 percent of these. This could be credited primarily to the willingness of creditors to reach agreements. Most creditors are aware that they could collect only a fraction of their receivables if it came to liquidation proceedings. This, of course, is also possible in case of a bankruptcy agreement. No one is able to tell today just how long these agreements will be observed. There are concerns that true bankruptcy reorganizations would require significant amounts of new resources, but there is little chance for obtaining such resources, at present.

[Zsubori] Accordingly, quite a few agreements will fail, thus further increasing the number of liquidation proceedings.

[Hegedus] This cannot be ruled out, of course, although most liquidation proceedings thus far started out as liquidation proceedings, and were not the consequences of failed bankruptcy agreements. Liquidation does not necessarily mean complete cessation either. As we can see abroad, in general, after the conclusion of such proceedings it is the person of the owner that changes, and not the character of the activity he pursued. The Hungarian experience also provides a number of examples in which a troubled firm has marketable products: In these instances continued production is in everyone's interest.

[Zsubori] In the course of liquidation proceedings in Hungary there is no financial program that could help potential investors to become owners, even though in many such instances we would be dealing with a peculiar form of privatization.

[Hegedus] Interest subsidies tied to agricultural reorganization can already be taken advantage of today, but the fact is that a new financial arrangement would also be needed. As we perceive the situation, if a financial institution would grant credit for the purchase of assets subject to liquidation, the interest payable by the borrower on part of the loan could be subsidized. The difference would either be covered by existing, segregated state funds, or financed by a joint fund to be established for the purpose of financing the reorganization of debtor firms, in parallel with the purging of the credit portfolios held by commercial banks.

[Zsubori] This process could produce more results if it were applied to bankruptcy proceedings, too.

[Hegedus] As I mentioned before, the courts are the bottleneck: The personnel and technical conditions at the courts must be substantially improved. It seems that there is a need to introduce a bankruptcy superintendency to be ordered ex officio by the courts, one that is independent from both debtors and creditors. Its primary function would be to guard over the assets and to protect the creditors' interests. A number of other amendments to legal provisions dealing with bankruptcy would also be needed. Thus, for example, it would be worth pondering the anomaly that permits the owners of bankrupt firms to establish new firms without thinking twice. Similarly, the relationship between the bankruptcy law on the one hand, and the local government, and compensation and return of church property laws on the other, should also be clarified.

[Zsubori] Perhaps the most important question was left for last: What changes in the bankruptcy law itself do you regard as necessary?

[Hegedus] While it has become clear to us that the law should not be suspended, we, too, believe that certain changes have become necessary. For example, as things stand today, the law unnecessarily limits the opportunities available to creditors by stating that creditors can only initiate liquidation proceedings against their debtors. It would be appropriate to amend the law so as to permit creditors to also initiate bankruptcy proceedings. On the other hand, in light of experience gained thus far, it appears as appropriate to discontinue the requirement of mandatory bankruptcy filings against one self. The third conceptual change would mandate that agreements be reached so as to prevent a few small creditors from frustrating bankruptcy agreements regarded as acceptable by an overwhelming majority of the creditors. In the framework of the above changes it would be of lesser significance, although important nevertheless, to state in the law that the receiver be authorized to sell mortgaged property unencumbered, and that the law itemize the

required content of bankruptcy filings, thus also reducing the number of returned filings, and simplifying the processing of data at the macro level.

[Zsubori] The above changes do, indeed, respond to the most frequently heard criticisms. Something else that is being said pertains to problems experienced with the length of the moratorium during bankruptcy, and with the compensation of receivers.

[Hegedus] These issues are not on the agenda for now, but they must also be decided when it comes to specific amendments to the legislation.

[Zsubori] When can we expect to see the amendments?

[Hegedus] The concepts I described were included in a document prepared by the Finance Ministry, and they were accepted last week by the Economic Cabinet. Thus the proposals are now being presented to the government. As we see it, the theses upon which the amendments are to be based should be prepared this year, but the actual amending process will obviously take place in 1993.

#### New President of Entrepreneurs Interviewed

93CH0218A Budapest FIGYELO in Hungarian  
10 Dec 92 p 10

[Interview with Dr. Istvan Kovacs, president of the National Association of Entrepreneurs, by G.S.; place and date not given: "The New President of the National Association of Entrepreneurs: 'Foreigners See Us as More Attractive'"]

[Text] After struggling for a year and a half, Dr. Istvan Kovacs, then an adjunct professor at the University of Economics, industrial plant organization department, established Economix small cooperative in March 1983, with membership recruited from among university lecturers and students. He has been the president of Economix ever since, but meanwhile the organization has become a diversified stock corporation.

The 43-year-old new president of VOSZ [National Association of Entrepreneurs] hails from Békés. Insofar as his original profession is concerned: He was a skilled worker in the cable manufacturing industry, but he completed his studies at the University of Economics in 1974 as a day student, then stayed with the university as a clerk. His thesis and doctoral dissertation concerned small and medium-sized business ventures. He initially served as a lecturer, but since 1986 he has been the full-time president of Economix. He is a founder of VOSZ and a member of its board of directors, and beginning in 1989, he has been copresident of this organization.

[G.S.] You succeed János Palotás as the president of VOSZ, but as copresident you have worked with him before. As president, do you intend to change the practice pursued thus far?

[Kovacs] I do. The membership has a just expectation to receive more services, and, as a result of the workings of

more people, I would like to see a better division of labor between the executive body and the board, and closer ties with the membership.

[G.S.] You are also the president of Economix Corporation, a university lecturer, and a member of the Social Council of the World Exposition. Are you going to have enough time to perform your duties as president of VOSZ?

[Kovacs] As I said at the meeting of delegates: I am aware that I must prioritize my duties, and the VOSZ presidency tops my list of duties. Early this year we separated the functions of the president, and the chairman and president of Economix Corporation, but I would not want to give up teaching, because I regard the training of future leaders, future entrepreneurs, at least as important as the representation of the interests of present entrepreneurs.

[G.S.] VOSZ has been in the front lines fighting for the World Exposition from the outset, a matter in regard to which new disputes are flaring up. What else could the association do in support of the Expo?

[Kovacs] A lot. We represent entrepreneurs; it is in their fundamental interest to see the World Exposition succeed and to attract foreign investors. I took my first trip as president of VOSZ to Cologne; I attended three functions there for German investors, jointly organized by the Cologne Chamber of Commerce and Industry, and AVU [State Property Agency]. I was pleased to learn of the great interest they manifested in Hungarian privatization, in investing operating capital, in joint appearances at the Expo, and in transferring production to Hungary. The latter is proven by the present Audi investment. German businessmen regard us as far more attractive than we view ourselves; nevertheless, this favorable view is threatened by political bickering in Hungary. Driving home Tuesday night I was shocked to hear that the MSZP [Hungarian Socialist Party] has also withdrawn its support of the Expo. I do not believe that they have thought this step through at the expert level, that they have discussed this with interest groups and with people involved in the economy. I am convinced that the Expo is not a partisan issue; it is the business of society and of the economy as a whole, and not only the ruling parties, but the opposition, too, has an obligation to cooperate with people who represent the economy.

#### Mining-Industry Reorganization Described

93CH0218C Budapest FIGYELO in Hungarian  
10 Dec 92 p 19

[Article by Erzsebet Eller: "Mines Deep Down—Although Hungarian Coal Is Not as Good as Imported Energy Resources, at Least the Furnace Does Not Burn Together With the Coal...."]

[Text] The government rendered a decision on how to reorganize the mining industry. The 12 November action puts an end to a debate that lasted more than half a decade—if the decision is implemented, of course. Government plans call for the establishment of energy-producing corporations based on the utilization of coal, to be owned jointly by mining enterprises organized on a

regional basis. Mines that supply power plants and the power plants would be merged into the Matra Area Energy Corporation and the Mecsek and Ajka Energy Corporations, under the common ownership of the mines and the power plants. The idea of such so-called mine-based power plants was proposed two years ago by some professionals and by the Industry Ministry's [IKM] deputy state secretary in charge of these industries, but neither the mining enterprises nor the Hungarian Electrical Works Corporation [MVMRt] wanted to hear of it. Substantive negotiations between executives of the Coal Mining Structural Transformation Center [SZESZEK] and the MVMRt have not begun even after the government decision calling for the establishment of the new organizations as of 1 January 1993, according to reports.

What's going to happen to the rest of the mining enterprises? Liquidation proceedings have begun at seven of the eight enterprises. Tatabanya Coal Mines, first to go bankrupt five years ago, was able to avoid liquidation to this date. Although it filed for bankruptcy in 1992, it managed to reach agreements with its creditors. Only the Nograd mines are likely to be shut down. The rest of the mining enterprises will each have a single productive shaft, and these enterprises will be merged into a joint-stock corporation. The North Transdanubian Coal Mining Corporation is going to take over the remaining shafts of the Veszprem, Oroszlany, and Tatabanya enterprises, as well as the Balinka mine, Shaft No. 20, the Markushegy mine and the Many I/A shaft.

The Northern Hungary Coal Mining Corporation is going to inherit from the Borsod enterprise the Edelely and Feketevolgy shafts, Lyukobanya, as well as the surface mining areas, but this is still subject to change. Changes may be made because originally, the Nograd mines, which stopped production about two weeks ago, were also slated to be included as part of this corporation. The IKM has launched an investigation of the Borsod mines because the enterprise has "produced" huge losses despite increased coal prices resulting from a 1990 government decision, and other supportive actions.

Hungarian coal produced by underground mines is not competitive with imported energy resources, according to IKM Division Director Pal Ligeti and SZESZEK director Laszlo Vass. The coal-mining industry would have to deliver coal for 165 forints per thermal unit in order to make coal-fueled power plants competitive with power plants fueled by imported oil and gas, but the delivery of one gigajoule thermal value of coal to the surface costs 220 forints in Hungary. Just why is it so expensive? The SZESZEK director believes that 80 percent of the cost is determined by adverse natural and geological features and by the inferior quality of the coal, and only 20 percent of the cost can be influenced by better organized production. For this reason, believing that a new director or a new

organization could rescue the inefficient mines, or that the opening of a new mine could be efficient, is an illusion.

One could ask: What sense does the reorganization described above make, and why don't they shut down mines that operate at a loss? In part because Hungarian power plants are capable of operating only if fueled by inferior quality Hungarian coal; just as coal-burning stoves found in Hungarian households tolerate only Hungarian brown coal of a 12,000 kilojoule thermal value, and not the 25,000-30,000 kilojoule thermal value per kilogram produced by black coal sold in world markets. And in part because imported coals are not cheaper than Hungarian coal (if the quality of the two types of coal could be compared at all), except for subsidized, extremely cheap coal brought in from the East. On the other hand, the real rival of Hungarian coal is not imported coal, but natural gas and oil, because people exchange stoves suitable for burning low-quality Hungarian coal not for better stoves, but for more modern heating alternatives. The same way, low efficiency, coal-burning power plants that damage the environment will not be exchanged for new coal-burning power plants, but for power gas turbine or nuclear power plants, depending on a decision to be rendered by parliament. For this reason, the downscaling of coal mining should be consistent with the counterdevelopment of power plants.

Employment considerations also justify the gradual shutting down of coal mines. In FIGYELO No. 48 of 1992 we reported about negotiations between the miners' union and the government, and an agreement according to which the power plants would accept 100,000 petajoules thermal value Hungarian coal in 1993. Although it is not clear why the trade union and not the managements of mining enterprises negotiated this agreement—there obviously are political reasons for that—the managements of mining enterprises regarded this agreement as acceptable from a professional standpoint. Among other matters it is acceptable from the standpoint of not becoming clearly dependent on imported energy resources. New power plants would have to be built before dismantling the 25-, 40-, and 50-year-old coal-fueled power plants in order to secure energy supplies, but in reality no decision has been reached regarding the construction of a new power plant or power plants. Accordingly, Hungarian underground coal mining is going to be phased out gradually by the millennium, and the number of underground coal mines will be reduced from the former 35 and the present 20 to three or five. But coal production must be maintained at the lowest possible added cost until that happens.

#### [Box, p 19]

#### Number of Miners

While 50,000 people were employed by the mining industry in 1990, that number has dropped to 30,000 by the end of 1992. The number of people working underground has dropped proportionately to 13,000.

[Box, p 19]

**What Is the Cost of Shutting Down a Mine?**

"Disregarding delinquent debt payments and amortization not to be accounted for, calculations based on 1991 prices indicate that shutting down the presently operating mines would cost 10 billion forints between now and the millennium. In addition, the cost of shutting down mines that no

longer function, rehabilitating the scenery, and damage payments would cost 15 billion forints according to SZESZEK calculations; thus, the counterdevelopment of the mining industry would require a 25-billion-forint investment prior to the year 2000."

*(Excerpts from the Energy Policy Concept adopted this year.)*

**Structure of Coal Mining  
(petajoules)**

	1992	1995	2000
Surface-mined lignite	39	45	45
Black coal	18	16	8
Brown coal	101	79	52
Total	158	140	105

**Mines To Be Closed by the Millennium**

Mines, 1992 Condition		Last year of production
Mecsek Coal Mines	Vassas	1994
	Komlo	1997-2000
	Szaszvar	1992
	Surface mining	—
Dorog Coal Mining Corporation	Alagut	1992
	Lencsehegy	1996-2000
Tatabanya Coal Mines	Many I/A	1999
	Zsigmond	1993
	Surface mining	1992
Oroszlany Coal Mines	Shaft No. 20	—
	Markushegy	—
	Surface mining	1994
Veszprem Coal Mines	Ajka	1999
	Dudar	1993
	Varpalota	1993
Borsod Coal Mines	Edeleny	1999
	Lyuko	—
	Putnok	1995
	Feketevolgy	1998
	Rudolf	1992
	Surface mining	1994
Nograd Coal Mines	Menkes	1992
	Nyirmend	1996
	Szekvolgy (Kereg)	—
Lower Matra Coal Mines	Surface mining	1992
	Thorez	—
	Bukkabranly	—

**Social Welfare Bill, Poverty Viewed**

*93CH0234A Budapest HETI VILAGGAZDASAG  
in Hungarian 12 Dec 92 pp 75-78*

[Article by Zsuzsa Ferge: "The Social Welfare Bill; A Whirlpool of Defenselessness"]

[Text] *It took the Ministry of Social Welfare two years, until June 1992, to prepare the bill on social welfare, but the finance people were not impressed. As the writing of the renowned author on social politics reveals, budget considerations in the bill's present version, which has been on parliament's agenda again since last week, are assigned a higher priority than the interests of (poor) citizens.*

The Hungarian "social net" always had holes in it. In the wake of the change of regimes, we began to hope that the greatest and most criticized flaws could be improved upon, i.e., that we would have social rights and that we would find an antidote for the disastrous state of paralysis. For, although it is true that total employment and the other great social systems meant basic security for the great majority, many people who for some reason were excluded from these were able to get almost no help or assistance.

We do not need to mention here the human cost of the transition, which is widely known and which is indeed in part necessary. Almost everyone knows (even though the finance minister and his advisers do not believe it) that two margins are continually widening. The gap between the real income of the unemployed, small pensioners, and low-income people and the costs for basic subsistence is widening. And the gap between the increasing number of neglected needs and state resources that could possibly be mobilized is also widening.

The social welfare bill, which has been under preparation at the Ministry of Social Welfare for a good two years, carried the promise that it would hinder—through the sensible use of limited resources and through legal means that allow the preservation of human dignity—a disastrous paralysis, and hunger and the loss of homes that had been acquired with great sacrifices. The "Proposal for the Main Conceptual Elements of the Social Welfare Law," prepared in early 1991, still tried to live up to these needs. It did not question, indeed it wanted to extend, the great normative welfare systems, even by the use of improving public assistance. And even if it would greatly limit the use of public assistance, that would not contradict the concept that nobly states that "the greatest virtue of good social welfare laws is not their openhandedness or wealth of provisions but rather their decency and consistency, i.e., the possibility of calculating with accountability and guarantees."

However, this concept and its subsequent variants, or the bill that was completed in June 1991, were never put before parliament. One who gets his information from the papers and the radio cannot know what happened between June and September 1992, when, after the first round in October, parliament put on its agenda the variant of the bill that is now being debated again. At any rate, it is not individual parts of the proposal that have been changed in the process of reconciling with the financial portfolio but rather the essence of the original concept.

Clearly, this new proposal was prepared with the increasingly accepted view that social policies are only for helping the poor and that "those in dire need" are the only ones who should be given (anything at all). Of course, the quality of the great systems—social security, health, etc.—must be increasingly lowered for this. Experiments to this effect are being conducted with success although, for the time being, the Reconciliation Council's negotiations hindered the lowering of family allowances.

The original concept introduced a universal child allowance that everyone would receive as well as a "subsistence allowance" for almost all needy groups, e.g., the elderly without pensions, pensioners living under the subsistence threshold, the permanently unemployed, the handicapped, and families living under the subsistence level. Actually, "only" two groups would have been left out, namely, nonhandicapped low-income people with no children, and those who are unqualified to receive unemployment benefits or who have lost their benefits because of inadequate cooperation with the employment agency (i.e., the "undeserving" ones).

Almost everyone except poor families with many children and the permanently unemployed was left out of the bill. Those left out can be given some kind of "temporary assistance" by local governments. However, with the exception of child allowance, assistance may be given only if no relative can be found who would be capable of "support"—or burial—i.e., a relative whose income is somewhat above the minimum subsistence level.

The minimum levels of subsistence were specified by the Central Bureau of Statistics in the fall of 1992, depending on the size, age profile, and residence of families, between 7,200 forints per person (families living in the country with many children) and 13,000 forints (single persons living in the city). "Social need" disregards these facts and uses the minimum pensions, which are much lower (6,000 forints at present), as standard. However, this, too, would not be given to everyone; the permanently unemployed and their families would receive a maximum of 80 percent of this, i.e., 4,800 forints.

Of course, the method of assistance, as always, encourages against making personal efforts, and even confronts the poor with those who are even poorer. For instance, if the total income of a permanently unemployed person and his family is 10,000 forints and the unemployed person has no income, then the family may get 4,800 forints. But if the unemployed person himself makes at least 4,800 forints, i.e., if the family's income is 14,401 forints, then no assistance would be given.

In the final analysis, the bill does not prohibit good local "social politics," however, it leaves almost everything up to—or compels—the local governments. If a local government does not have enough money or a sufficient number of experts, then, as always, it can give assistance to anyone it wants to. It would be up to the local government to locally specify what must be included in statements of

incomes and assets and how they must be submitted, it would specify the quality of homes above which it would not give assistance, it would specify supplementary local provisions (in case it would have the means to provide these)—and this, although called being qualified, is not a right.

One cannot overemphasize that one of the new system's most important aspects is that the citizen would be given some rights. In modern middle-class societies, it is customary to speak of civil, political, and social rights. A right is a right only if those who feel that their rights have been violated can turn to court for legal redress. According to the original concept, the possibility of legal redress would exist in all forms of subsistence assistance as well as in numerous other cases. This has been radically changed in the bill presented to parliament.

Rhetorics have remained. It is mentioned in the preamble of the bill that "a pressing contradiction between the constitutional guarantees for, and the extent of, social rights as specified in international agreements, and Hungary's own guarantees which have emerged during the past decades"; and that "social policy...is meant to guard and guarantee the socially recognized interests of minority groups and strata." Almost every clause of the bill mentions qualifications and states in Article 12 that "in case the law does not provide otherwise, the court may change a substantive decision made in the social administrative process that is regulated by this statute." And, if one does not read on, one could even relax.

However, the following reveals that legal redress would be restricted exclusively to cases of child support. All the other new and old forms of assistance and support are governed by Article 32, which provides that "a court may not change any (local governmental) resolution that regulates monetary provisions depending on social need." The situation regarding "social institutions that provide personal assistance" is not any better either. It is made clear in the preamble why the bill provides for the establishment of an "elected forum of interest representation" to make decisions in grievance cases for those who receive personal assistance. It is stated that, "In the absence of a possibility for general legal redress, it has to be made possible for a qualified person to contest the measures taken by the head of an institution and to have a (proper) local government decide in his case." There is not a single word in the bill concerning minority rights and special guarantees for them.

This law is not the law of a self-asserting citizen—but it is not that of the poor either. The tragedy is that, even in its present form, one must pray that Parliament pass it as soon as possible because it may provide a solution to individual, presently hopeless, cases (e.g., it may sometimes prevent the loss of one's home). The only thing that is good in this awful situation is that laws made today can be changed tomorrow.

[Box, p 76]

Neglected Social Network

It has been quite a few years now that the sight of people searching through trash cans became part of Hungarian cities. This, the multiplying number of those searching through trash cans, started around the time when unemployment began and when more and more social strata began becoming tangibly poorer. It is clear in retrospect, as sociologist Zsuzsa Szemann writes in the TARSADALOMKUTATAS' most recent issue, that, during the late 1980's, an increasingly larger segment of society not only had to come face to face with a decrease in living standards and sometimes with the threat of poverty, but also had to employ defensive tactics to prevent this process.

By definition, the process of impoverishment affected primarily the elderly who are living on pensions. In 1989, the pensions of most (85 percent) were lower than the average pension (on the other hand, the average pension, like today, roughly equaled the minimum subsistence level). According to a representative survey, most of the elderly were able to obtain enough food in 1987, but by 1989 half of them were going hungry. In 1987, 85 percent of the elderly surveyed ate three times a day, but two years later only 50 percent of them did. In 1987, 79 percent of the elderly surveyed consumed meat two or three times a week, 81 percent ate vegetables, and 86 percent ate fruits. Two years later, only half of those surveyed could afford meat two or three times a week, and the proportion of those who were regularly able to get vegetables decreased to 70 percent (even though an increasing number of them had small home vegetable gardens). In total, the proportion of those who had problems in meeting basic needs of subsistence increased from 56 percent to 71 percent, i.e., those who found it increasingly difficult to pay for food, heating, electricity, medications, or rent. By the end of the 1980's, the incomes of 14 percent of pensioners did not reach the so-called biological minimum—in plain language, they stopped just short of actually starving to death—and the incomes of 41 percent of them did not reach the social minimum (the poverty threshold).

According to a 1987 public survey, as our table [not reproduced here] shows, 25 percent of the elderly surveyed perhaps did not even think of needing to defend themselves against deteriorating living conditions, and only about 25 percent of them thought of saving as a means of defense. A similar 1989 public survey already showed that the number of those "not defending themselves" had dropped to 5 percent, and almost half of those surveyed found it necessary to save in order to at least maintain living conditions that they were accustomed to.

The change of priorities in defensive tactics also indicate the options back in 1987 and the lack of options in 1989. The fact that in 1989 almost a fifth of those surveyed thought that looking for a job was a defense "tactic" can be traced back to the emergence of unemployment (in 1987, only 6 percent of them "deployed" this means). Increasingly, in some cases, unemployment posed as great, if not greater, problems for pensioners than for other social

strata. According to surveys, in 1989 approximately a fifth of pensioners earned at least as much money as their pensions were, but many more of them earned less to supplement their pensions. On the other hand, at the emergence of unemployment the first jobs to be terminated were, among others, the typical jobs for pensioners.

In 1987, almost a fifth of pensioners still thought of selling something to maintain their living standards. In 1989, the same number of people still thought this way but selling as a defense tactic had lost some of its importance nonetheless: It slid from second place to fourth. This is an indication that the "saleable reserves" of the elderly are about to be depleted, i.e., they cannot sell any more of their assets.

With their reserves depleted, helping elderly family members has become a higher priority. Almost a fifth of those surveyed mentioned this as a possible form of defense, but this is very little in comparison with the fact that more than 80 percent of them, by their own admission, have good relations with their families. However, 1991 examples indicate that what was important was not human relations but rather the fact that, for instance, especially in the urban apartment complexes, 550- to 600-square-foot apartments cannot even accommodate several generations simultaneously (children cannot have their elderly parents, who may need to be cared for, live with them), i.e., that family assistance can be limited not only by money but by space as well.

Until the change of regimes in the system of councils, the elderly received very little help from the state. On the one hand, some of the institutions of public assistance had not even been created—as in the West where temporary care or daytime care centers are customary—and, on the other hand, it was difficult to find other sources of assistance. According to surveys, in the late 1980's the "social net" did not include even 10 percent of needs; for instance, no one who lived with his (younger) family could receive council assistance (and the brand new social welfare bill, which is before parliament, includes the very same stipulation). Following the 1990 abolition of the council system, although the new local governments were "given" all pertinent tasks, they did not get any money for them, i.e., the monies reallocated from the national budget (e.g., from income taxes) are drops in the ocean at the most. According to a survey that was conducted in the spring of 1991, local governments tried to get rid of "superfluous" social expenses and to operate the existing and functioning institutions on market principles. For instance, there were villages in which people in need were provided with home care only if they or their families paid enough for that care to make it profitable for the local government. True, there were some local governments which, following the Western model, institutionalized home care. In general, however, the characteristic situation was that, in the absence of a welfare law or the compulsion of statutes, existing and operating social institutions, e.g., temporary care establishments and centers for family assistance, were abolished.

**Impact of Growing Poverty on Children Reported  
93CH0234B Budapest KOZTARSASAG in Hungarian  
11 Dec 92 p 20**

[Unattributed article: "Prognosis of Fund To Help the Poor; The Distribution of 'Nothing'"]

[Text] *There are children in Hungary today who get through the winter living under blankets. They are put to bed because there is no heat or electricity in their home, and they have no clothing or shoes. In those families in which both parents have been unemployed for an extended period, the children's physical and intellectual growth is in serious jeopardy, and their destiny and future is almost without any prospects. They are the ones the UNICEF Hungarian National Committee would like to help. Their purpose is to set up an assistance fund to help as many children of unemployed parents as possible until the end of the school year, with 1,000 forints a month.*

The Fund To Help the Poor (SZETA) is also part of the UNICEF campaign. They examined, first of all, how the children of the unemployed live, for, as Bea Morvai, head of SZETA, said, public opinion is more concerned with the fact of unemployment and with adults and less with children living in such families. SZETA's findings are depressing. What they have seen is that children are considered adults, receiving their share of "nothing," i.e., they hunger the same way, do not get clothes or shoes, stay home from school, their social relations become severed, and they become lonely. Why, how could one invite classmates and friends to a dark and cold home with no furniture or toys? Morvai says that a natural consequence of this is that children loitering in the streets form gangs and sooner or later become criminals. Child prostitution has also dramatically increased in the last few years.

A partial solution for them would be at least to be able to go to school. However, unemployed families are completely unable to pay for the costs of schooling. After the termination of unemployment benefits, child allowance often is practically the only income. In Tarpa, Szatmar County, the staff of SZETA visited several families that could not afford to buy shoes, let alone school supplies, and which put their children under blankets for warmth also during the daytime. Thus, it is useless for the school to offer the meals for them at a 30-to-50-percent discount, for the families cannot pay even half the sum.

Bea Morvai says that it is an untenable situation that the Hungarian school system is not even looking for children who drop out of school. They only establish the fact and if parents do not reply to their letters, the cases are handed over to local governments. As a measure, the office levies a fine that, "naturally," is never paid because they do not have the money. Thus, neither the schools nor the local authorities have any precise data on how many children end up in a hopeless situation as a consequence of their parents' unemployment. And there is absolutely no evidence of any carefully worked out concept to find solutions, adds Bea Morvai.

Of course, the SZETA people are also aware that the task is not simple. For international experience makes it obvious that a stricter enforcement of school attendance does not bring any results either. For permanently unemployed families cannot dispense with the income originating from a child's (illicit) work. Instead of sending them to school, they send them to work. And it seems that this tendency is gaining strength in Hungary, too. In Budapest, more and more juveniles appear on the infamous illegal Moszkva Square "labor market," often accompanied by their fathers. The agents offer ridiculously low wages for employing them in car washes, for instance. (In the one at the M3 freeway, they work solely for tips.) In towns at the outskirts of Budapest, they carry hogwash, clean hogpens

at household plots and, more recently, certain private book binders have also begun to employ children.

But, even if they succeed in completing elementary school, if they are unable to find employment or continue their studies, their knowledge becomes obsolete after a certain amount of time and they are unable to keep pace with technological progress. Thus, unemployment, and the lack of prospects for the family, becomes almost inherited.

Obviously, the SZETA is not enough for breaking the diabolic circle, emphasized Bea Morvai; probably, long-term solutions could only be provided by a carefully worked out welfare law.

**Poll Reveals Pessimism About Government, Reforms**  
*93P20073A Warsaw GAZETA WYBORCZA in Polish*  
*23 Dec 92 p 2*

[Article by (szczyp): "Optimists in Decline (Alarming Results of Polls)"]

[Text] Three-quarters of those who responded to a poll conducted in December asserted that the state of affairs in Poland is turning in the wrong direction. In November, less than half of the respondents shared this opinion.

In December, only 12 percent agreed that things in Poland were going in the right direction as compared to the number of November respondents, according to the Center for Research on Public Opinion [OBOP]. Almost all of them—94 percent—agreed that the mood is grim, but, in November, the percentage was 88. None of the respondents believed that the economy is in very good shape. Only 2 percent agreed that it is good, while 97 percent described it as "weak" or "bad." Every other person is of the opinion that the economy has recently been getting worse, while, in November, only every third person shared that view.

The number of those who believe that democracy in Poland is evolving in the right direction dropped by half in December—from 22 percent to 11 percent. The number of optimists declined. More than half of the poll participants foresee a further deterioration of living standards within the next three years, while only 14 percent think it might improve.

People do not place much trust in almost any state or public institution. Comparing the results from November, people's confidence only slightly increased toward NSZZ "Solidarity" and the Peasant Trade Union "Self-Defense." Government authority suffered most. In November, the government enjoyed the trust of half of those participating in this poll. From 50 percent of those researched in November, only 27 percent showed confidence in the government in December. Trust in parliament declined by half: 12 percent toward the Sejm, 10 percent toward the Senate. At the same time, the president's popularity declined by 8 percent and that of the church by 7 percent.

In November, half of the surveyed group evaluated Suchocka's government economic program favorably, and only every fourth person criticized it. Opponents of the program in December made up 38 percent, while 35 percent supported it. More than half of the respondents evaluated Suchocka as a good prime minister, but 25 percent maintained that she is bad (in November only 15 percent said so). The Public Opinion Research Center [CBOS] pointed out that such pessimistic results could

only be compared to the results in May shortly before the fall of Olszewski's government.

(The OBOP poll was conducted on 14-15 December among randomly chosen groups of adult Poles.)

**Electorate Perceived by Major Political Parties**  
*93EP0090A Warsaw RZECZPOSPOLITA in Polish*  
*18 Nov 92 p 3*

[Article by Małgorzata Subotic: "Party Temptations; Voters vs. Politicians; Talking About Interests"]

[Text] A public opinion survey of Poles has revealed that 3 percent consider political parties to represent their interests. Meanwhile, we have 200 parties registered in the country. In economic theory, such figures would mean inevitable bankruptcy was approaching. In Polish politics such an outlook is not all that certain.

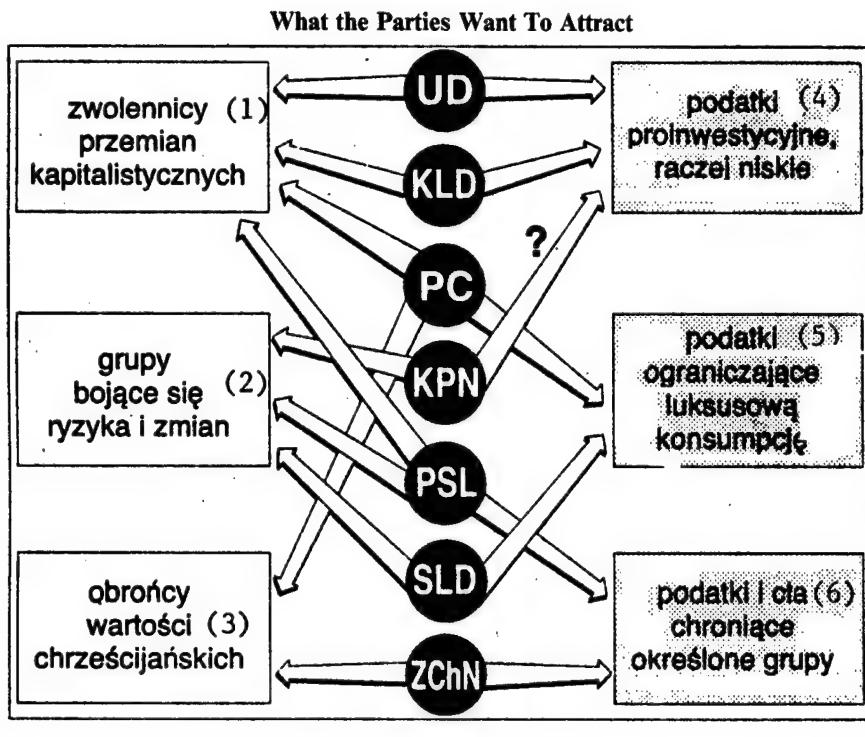
Inasmuch as the voters do not really know who represents them, perhaps party leaders do. We asked the representatives of seven of the largest parties elected to parliament a year ago whose interests they were protecting and on whose behalf they were operating. We also asked about concrete tax proposals.

The initial reactions were very similar: "We appeal to all of society." This reflex was surely partly created by the belief that if a person seeks everyone's support, then the chances are greater for reaching many people. But it was also the result of their understanding that the time for state parties, at least in Western democracies, had come to an end and that "serious parties" could not limit themselves to representing a single social or professional group. In relation to their own parties' electorates, no politician claimed to support the traditional distinctions of urban and rural (except for the PSL [Polish Peasant Party]), rich and poor, or women and men. Ewa Spychalska of the SLD [Alliance of the Democratic Left] even called the attempt at such as classification to be "a complete misunderstanding."

**SLD: From One's Own Work**

Ewa Spychalska names SLD's potential lobby: employees of government companies, both white- and blue-collar workers, along with craftsmen, farmers, and small business people who run their own firms through their own efforts.

"We are in favor of having the state guarantee the security of society, but on a minimal level. Thinking about taxes and the budget in categories of 'whom to give to and whom to take away from' is mainly a bookkeeping mentality, not an economic strategy. One rich person overeats, another invests. A healthy tax system takes these differences into account, serves as an incentive, and provides encouragement to overcome difficulties."



**Key:**

1. Advocates of capitalist change
2. Groups afraid of risk and change
3. Defenders of Christian values

4. Proinvestment rather than low taxes
5. Restrictive luxury taxes
6. Taxes, tariffs to protect specific groups

#### **UD [Democratic Union]: For Competent People To Be Courageous**

"We are appealing to those who see opportunities in the reforms and want to take a risk, in order to improve their fate," says Wladyslaw Frasyniuk. "This means that we want to represent people engaged in economic activity, not just private entrepreneurs but also directors of government firms, management and engineering, the intelligentsia, and highly skilled blue-collar workers. These people are the backbone of the reform."

"And the tax system should reward their initiative, because they are the ones creating the new jobs. They aren't afraid of the reform. On the contrary, the policy is only expanding the sphere of poverty. After all, the idea isn't to share poverty on an equal basis. Contrary to the way it seems, a tax increase will have an adverse impact on the budget, by causing income to be hidden and the flight of capital abroad."

#### **KLD [Liberal Democrats Club]: Social Yeast**

"Rather than asking 'whose' interest we want to represent, it would be more fitting to ask 'how,'" Jacek Merkel explains. "If we say that unemployment is bad, then we look for solutions through new, effective jobs rather than maintaining positions we all have to subsidize. In this sense, we don't appeal to many Poles, just to those who are

trying to improve their lot, instead of passively giving in to circumstances. Above all, though, we want to defend 'the social yeast,' the entrepreneurs. They are the ones that create the new jobs, determine economic growth and the wealth of other families as well as their own."

"If we receive 51 percent in the next elections, we'll cut all taxes," Witold Gadomski says. "We are now proposing that small and medium-sized companies receive preferential treatment. We are suggesting guarantees for the stability of economic instruments: tariffs, taxes, regulations. We want to increase expenditures to exact payment of funds due the State Treasury."

#### **ZChN [Christian-National Union]: With Those Who Are Concerned**

"We don't have a uniform electorate. The people we represent include the people whom the community has wronged and those concerned about Christian values, along with farmers, the middle class, and employees in the budget sphere. We don't want just to defend the nomenklatura," Stefan Niesiolowski emphasizes. Purely economic criteria are meaningless in this instance, as Miroslaw Jakubowski says, emphasizing his group as the only ideological party in Poland.

"The ZChN is for those tax solutions that favor families, those with many children, and also for lower taxes, if this

would increase competition. Therefore, we are not doctrinaire, just realistic," Niesiolowski says.

#### **PSL: Wiesniak, Without Fear or Favor**

"In the case of PSL, the relationship between the party and the interests of the voters is very clear," Aleksander Luczak says. "These voters live in rural areas, regardless of their wealth, whether they work on their own farms or on state farms, and the sort of work they do (direct production or ancillary services). The local situation and the candidate's personality determine whether people vote for PSL or for PL [Peasant] Accord]. The rural electorate votes for 'its own.' The prescription for taxes and tariffs is simple: Protect the farmers and the most vulnerable."

Luczak does not think there is a relationship between the other social groups and parties that might represent their interests, except for perhaps KPN and SLD. At least that is what PSL's research shows. The lack of such a connection is the main reason for the political confusion.

#### **KPN [Confederation for an Independent Poland]: Attend to the Neglected**

"We mainly defend the poorest sector of society and people employed in government companies. We are accused of defending the government plants, because that is where our voters are. People say we'll lose our voters once these firms are privatized. The only thing is that this is the normal activity of political parties," Krzysztof Krol says. "We also want to protect domestic producers. The employees of the FSO automobile plant are closer to us than Ford dealers are. The people who produce are closer to us than the people in commerce and trade. We are closer to young people too, and to those who want moral satisfaction for the past 40 years."

According to Krol, the distinction between the Right and the Left is becoming less appropriate. Ideological parties are giving way to pragmatic ones that present concrete solutions.

#### **PC [Center Accord]: Aspirants**

"Our people are the ones who are trying to find new places for themselves and to get into the race, outcome of which will ultimately shape the social structure. After communism was overturned, these people had a less advantageous starting point, because they had not established themselves in the previous system and were outside the structures," Jaroslaw Kaczynski explains. "We are a party of people aspiring to something better, both wage-earning employees and some people with small businesses, young people, and part of the intelligentsia, as well as people defending traditional values."

"PC is for the VAT (value-added tax) and for an income tax on physical persons, because such solutions create a normal fiscal situation. Taxes should be greater, in order to limit empty, ostentatious economic consumption, but there must be relief for people who invest their money."

The political parties therefore see groups on whose behalf their activity is directed. The relationship potential voters have to capitalism, whether the voters are for capitalism or

full of doubts, plays a decisive role in the distinctions between the groups. Only the ZChN comes out unequivocally as a defender of traditional values. What is surprising is the declaration for an incentive-based system of taxation, which has not been upheld in government practice during the past few years. Only Jaroslaw Kaczynski of the PC is for raising taxes to limit "empty consumption."

According to the research, when asked which institutions should have greatly increased influence, respondents place the parliament and the government first. Therefore, most Poles want democracy or to have their civic interests represented through the intermediary of parties. Do we also want capitalism? If so, what sort of capitalism?

As Jacek Merkel says, that question is more difficult to answer.

"Any solution other than capitalism is worse, because it costs more." In dictatorships, opposing politicians have it out in the streets. In a parliamentary system, this happens at lesser cost. They do battle in parliament.

#### **Abortion Debate Increases Interparty Tensions**

93EP0104A Poznan WPROST in Polish  
No 49, 6 Dec 92 pp 16-17

[Article by Boguslaw Mazur: "Before Deliverance"]

[Text] "*This is political blackmail,*" says Deputy Prime Minister Henryk Goryszewski, not concealing his feelings when he heard about the proposal to postpone the debate on the draft of the abortion law. "The deputy prime minister is making himself look ridiculous," says Prof. Bronislaw Geremek, chairman of the Democratic Union (UD) club and author of the proposal.

The increasingly greater aggressiveness with which the representatives of the two parties—the pillars of the government—are speaking to each other proves that the abortion issue cannot be isolated from ideological disputes. This was confirmed by Goryszewski's threat: "If the UD falls apart, we will redesign the government." The deputy prime minister's unnerved reaction is not at all surprising. In creating, with great effort, a front in which, as the spokesman of the Christian-National Union (ZChN), Ryszard Czarnecki, describes it, on one side are the "people of the church"—that is, the ZChN deputies who are defending the lives of the unborn—and, on the other, "those who are against this," the leaders of the ZChN did not make sure that they had the necessary number of "soldiers." It turned out that a large part of society is more inclined toward such methods of fighting abortion as are used successfully in the Netherlands (contraception, sex education), but, in the ZChN's strivings to punish abortion while at the same time condemning contraceptive measures and prenatal research, it perceives a greater desire to change the ideology of the public to conform to the model proposed by the church than to really reduce the cases of abortion.

Thus, for the first time, society's opposition to such a formula of Catholicism as proposed by Primate Jozef Glemp and such a governmental model as advanced by the

ZChN clearly manifested itself. For the ZChN, regardless of the fate of the law, this may mean political disaster. As a result, complications may also appear within the party. The opposition, averse to Wieslaw Chrzanowski, will not pass up an occasion to point out to the present leadership that it not only threw out Antoni Macieriewicz and formed a government with UD and the Confederation for an Independent Poland (KLD), it has even shown itself to be ineffective in its political activities. Fear of losing support in its own ranks tells the present leaders to sharpen their ideological attacks, intended to prove that, despite the fact that it formed a government with the liberals, the ZChN is still a party of the "people of the church."

That is why Stefan Niesiolowski repeats that "the danger that stems from liberalism can, over the long term, bring about effects similar to those of communism."

In the statements of the ZChN politicians and the representatives of the episcopate, one can see a growing "besieged fortress" complex. Naturally, the bishops are against any proposal to hold a referendum. Should it be held, the church, in accordance with its own teachings, can only mobilize the faithful not to take part in the voting. But, even if it is successful and less than half of those eligible to vote do so (which will make the results of the referendum invalid), there still remains the danger that not much less than half of the citizens will vote. And because those obedient to the instructions of the episcopate would not take part in the voting, the potential result, with almost half of those eligible voting, would anyway deprive the church of the right to employ the key argument, that it represents the "morality of a Catholic nation."

The representatives of the moderate conservative forces, who realize that a sharp division of the political scene will deprive them of their field of maneuver, are trying to prevent a decisive squabble between the advocates of the extremely conservative vision of the state and the advocates of a liberal state. That is also why Aleksander Hall, chairman of the Polish Convention club, says that the war between the church and the proreform liberal camp may divide society into an antireform, antiliberal Catholic majority and a proreform minority. According to Hall, a compromise would consist, on the one hand, of not holding a referendum, and, on the other, of a significant easing of the repressiveness of the antiabortion law because "the law should safeguard the life of the unborn, but it should not require that heroic positions be taken."

The firm opponents of the law from the UD and the KLD assess the mood of society differently. They believe that concessions in favor of the church and the ZChN that go too far may first deprive them of their own electorate, averse to clericalism. After the liberals openly spoke out against the abortion law, Wladyslaw Frasyniuk, UD deputy chairman, said that "if we do not speak out clearly, then UD (and not just the club) will begin to lose a large number of members who do not like our indecision." Together with Barbara Labuda, UD deputy and chairman of the Parliamentary Women's Circle, he represents that part of UD's activists who believe that, after Aleksander Hall leaves, the policy of "indecision," which Tadeusz

Mazowiecki conducted, should be discontinued. "We must maintain a compromise on the number of compromises entered into. I repeat: We cannot be silent only because a few of our friends are afraid of the parish priest," attacks Frasyniuk.

If Tadeusz Mazowiecki does not take a more radical position in matters of relations between the state and the church, then, indeed, at UD's congress in the spring, the question of leadership may appear.

"If a need for change arises, the new leader will be the result of a political deal inside UD," says Frasyniuk, making it clear that former services should not be decisive in electing a chairman. At the same time, the leader of the Lower Silesia chapter of UD regularly criticizes Suchocka's Cabinet from the position of the liberals. "When I read government documents, I get the impression that the government would like to share responsibility with the trade unions. It would be perfect if someone like Balcerowicz would stand next to Kuron." Such statements by Frasyniuk must be warmly received by the liberals, especially because, after forming a 53-person parliamentary club, they, too, decided to take a much stronger position in defense of the interests of the entrepreneurs, who say that they will give financial assistance to only those parties "with whom they can go along." That is why "the liberals are beginning to feel uncomfortable in the government coalition," reveals Donald Tusk, the KLD chairman, in criticizing the tax threshold proposed by the government.

The concurrence of the statements by some of the UD leaders and the liberals shows that there is a chance that, in the future, a new center-right alliance may be concluded. The draft of the extremely stringent antiabortion law is a challenge for the leftist groups. As a matter of fact, both the Union of Labor (UP) and the Alliance of the Democratic Left (SLD) are trying to politically discount the abortion dispute. Nor are they sparing in their criticism of the government—naturally from the position of leftists. But the activeness of Zbigniew Bujak (UP) and deputy Izabela Sierakowska (SLD) causes the leaders of the KLD and UD to fear that they will all be labelled "left." Donald Tusk says all the time that his party takes a moderate position on the abortion dispute and avoids war with the church. "We will try more to mediate, to seek compromise solutions," he says, and the UD and KLD boards have forbidden the party's structure to become members of local committees in behalf of a referendum. This decision, which enabled them to distance themselves from the left, also means that the committees cease to be a temporary ally of the party and are becoming independent, a more lasting social movement.

The opposition groups will have the power to decide. Aside from the UP and SLD committees that are involved in the movement, and Center Accord (PC), the KLD, and the Movement for the Republic, who are in isolation, the most convenient position is taken by the Polish Peasant Party (PSL), for whose favors both the leader of the SLD, Aleksander Kwasniewski, and the chairman of the ZChN, Prof. Wieslaw Chrzanowski, vied at the recently held

congress. The delegates themselves, having first proclaimed Waldemar Pawlak to be the "new Witos," declared themselves to be in favor of a "third road" of economic development.

"Western capitalism cannot be replicated under Polish conditions," said Aleksander Luczak, a member of the party board, admitting consistently that, "in the present Sejm, the views of the Party of Labor are the closest to ours." The PSL's position on the left side of the political scene certainly makes possible talks with the government coalition, and particularly with the liberals, more difficult, but it does not prevent them. Pawlak is known for his flexibility.

The president is again beginning to join in political disputes. He was unequivocally opposed to the proposal that a referendum be held, although, as he said, he does not want to put women in jail, only "love" them. Naturally, love them "in an informed way."

#### Czech, Slovak Treatment of Minorities Viewed

*93EP0103A Warsaw PRAWO I ZYCIE in Polish  
No 47, 21 Nov 92 p 9*

[Article by Stanislaw Bubin : "Fear of Minorities"]

[Text] "Unfortunately, the Slovak Republic adopted a Constitution that treats national and ethnic minorities badly," says Stanislaw Gawlik, who is vice chairman of the "Wspolnota-Spoluzitie-Egyatteles" political movement, a deputy to the CSFR Federal Assembly and a resident of Jablunkov, located on the Olza River. "The Draft of the Czech Constitution ignores minority rights, too. After 1 January 1993, when the states take over their identities from the Czechoslovak Federation, they are supposed to guarantee fundamental minority rights, but it does not look to me as though this is going to happen. We are facing a difficult struggle."

Gawlik mentions that the Constitution of the Slovak Republic was adopted on 1 September of this year. As a sign of protest against the way it was drafted and content they consider improper, the deputies from the Wspolnota political movement and the MKDH [Hungarian Christian Democratic Movement] walked out, refusing to take part in the vote.

The Representative Council of the "Wspolnota" Political Movement of the Czech and Slovak Federal Republic met on Saturday, 7 November, in the Piast Hotel in Cesky Tesin, 250 meters from the "Freedom" border bridge over the Olza River. Sixty-four of the 72 delegates elected at the recent congress attended.

"We gathered for the first time in this place that history has so tragically divided," says Hungarian Miklos Duray, chairman of the movement, speaking in Slovak. "We summed up the activity since the elections and made a thorough analysis of the difficult political situation that national and ethnic minorities in both republics presently face. Minorities account for about 8 percent of the population in Bohemia and more than 15 percent in the Slovak Republic. We had to get together to consider the safest

course to follow at the turn of the year, 1992-93—that is, during the period the federation is breaking up into two separate states."

The words "hard work" and "hard struggle" come up again, but Gawlik is against using the term "minority internationale."

"We were a forward-looking movement and registered Wspolnota with the courts in both the Czech and the Slovak Republics. We can agree to the term "internationale," in the sense of talking about one that is part of the right-wing, left-wing, or Christian-democratic movement. A great deal unites us, but, after the federation breaks up, the executive councils will operate independently in their countries.

Wspolnota came into being in 1989 following the Civil Forum on national minorities. Dr. Szczuka, who represented the Gypsies, accused the federal authorities at that time of not carrying out the provisions of Charter 77. The Wspolnota Political Movement was registered soon thereafter. The movement does not consider itself a representative of minorities but, rather, tries to operate on their behalf. Voters monitor the people holding seats to see whether they trust them. We have to admit that trust is constantly growing. At the beginning, the movement went by the Latin name "Coexistentia," supplemented by a four-part addition to the name in Polish, Czech, Slovak, and Hungarian. Today, German Carpathians, Croatians, and Ukrainians also belong to Wspolnota.

"More and more people are coming to understand that we must unite because hard times are ahead for minorities," says Bronislaw Batorek of Cesky Tesin. His business card bears the words "Prodej potravin a prumysloveho zbozi [Food and Industrial Wares Sales]." Businessman Batorek runs the Wspolnota office on Kasztanowa Street in Cesky Tesin. He is also an activist of the PZKO [Polish Culture and Education Union]. "After 'the velvet revolution,' we did not think we would be Polish-speaking Czechoslovaks anymore, but it turns out that here some of the mechanisms for treating minorities just did not last."

Gawlik is straightforward in naming things, and that is why on several occasions GAZETA WYBORCZA has called his group "extremist" under the byline of that paper's Prague correspondent. "There have always been attempts at instrumental treatment of minorities," Gawlik emphasizes. "I would say that this has been a constant trend in this country, in keeping with the Roman principle of 'divide and conquer.' The groups running the federation from 1920 up to the present day have divided, mixed, agitated, tried to denationalize, and relocated people. I doubt that this process was supposed to continue following the breakup. In communist times, the Polish minority was one of the most controlled and infiltrated groups. Poles living in Czechoslovakia were treated as an enemy within. Today, following the change in regime, the new authorities have come to realize that democratic mechanisms could help minorities to develop, something that could be dangerous for Czechs and Slovaks again. Why? I do not know."

At any rate, people are forgetting about the ideals of Charter 77, about the political intuition that helped forge the Civic Forum."

Miklos Duray says: "This way they are creating the conditions for conflicts to develop, first with a social background, later with a political one. Such conflicts could arise because the conditions already exist. They could, of course, but they do not have to. No right-thinking person wants another Yugoslavia."

One can find "Wspolnota's" periodicals in Hungarian on the tables at the Piast Hotel. One of them, A HONAP, says that in 1991 there were 5.2 million people living in Slovakia. This figure included 4.5 million Slovaks, 556,000 Hungarians, 80,000 Gypsies, 53,000 Czechs, 13,000 Ukrainians, 4,000 Moravians, and 3,000 Poles but did not count the Austrians, the Germans, the Bulgarians, the Romanians, the Croats, and others.

"There is a similar situation in the Czech Republic," Stanislaw Gawlik says. "Let us take an example from our area—'Zaolzie' [the Olza River region, belonging to Poland between World War I and World War II]. More than 43,000 of all Poles in the CSFR live in that part of Silesian Cieszyn/Tesin. At least that is what the March 1991 census shows. Poles represent about 12 percent of the population in two okres, Frydek-Mistek and Karvina. Compare this with 71.7 percent Czechs, 7.2 percent Slovaks, 4.6 percent Moravians, and 2.9 percent Silesians. These last two categories were specifically added at the last moment to provide a free choice for those who, up until now, have been ashamed of being Polish. But things were not always this way. In 1900, there were approximately 120,000 Poles in the Zaolzie area, or more than 80 percent of the total population. In 1950, there were 59,000. In half a century, the number of Poles in Zaolzie declined substantially, owing to the process of becoming Czechs, and the figure is still declining."

The deputy chairman of "Wspolnota" talks about minority fears. "Vaclav Klaus has recently begun to glorify the notion of Czech statehood. This trend is becoming stronger. There are strong grounds for betraying one's nationality. The Czechs want to match the Slovaks' high level of national identity and awareness. This leads to some pretty silly things."

"Klaus's wife is a Slovak and will therefore become a member of the more than 300,000-strong Slovak national minority in the Czech Republic. Wouldn't it be a good thing to assure her the right to use Slovak as an official language in the Czech Republic? But, because the Slovaks are dispersed, no one is coming out in their national interest. Therefore, their problems will begin after 1 January. Similar problems will begin for the Czechs in Slovakia, too. The head of the Slovak Government, Vladimir Meciar, tried to persuade Vaclav Klaus to maintain joint Czech and Slovak citizenship, but Prague decided against this. He is either Czech or Slovak."

#### No Dual Citizenship

Each citizen must decide which passport to have, one with a Czech lion or one with a Slovak cross on three hills.

"So please do not be surprised that we are looking for allies," adds Eng. Edwin Macura. He is a member of the "Wspolnota" secretariat in the Czech Republic and in daily life is the secretary of the PZKO chief administration's office in Cesky Tesin. "In Poland we have entered into cooperation with the ZChN [Christian-National Union], the KLD [Liberal Democrats Club], and the Confederation for an Independent Poland. We would be pleased to receive the support of Aleksander Hall, former prime minister Olszewski—any politician who is merely willing to understand our problems."

According to Gawlik, Poland should watch the Czech and Slovak political scenes carefully, just as people do in Hungary, Austria, Germany, and Ukraine. "The Government of the Polish Republic need not look at everything the way "Wspolnota" does, but it must take Poland's reasons of state into account. We would like to have someone listen to us and try to understand. It was a good thing when Jacek Baluch, Poland's ambassador in Prague, recently found time to come to the Federal Assembly and talk to deputies from the 'Wspolnota' club for an hour and a half."

A visit to Warsaw by a delegation from the "Wspolnota-Spoluzitie-Egyatteles" Political Movement at the beginning of the year created a great deal of bad feeling. Duray, Gawlik, Macura, and Deputy Wladyslaw Niedoba met with Speaker of the Sejm Wieslaw Chrzanowski and Prime Minister Olszewski. They said that there was discrimination against the Polish national minority in Czechoslovakia. They demanded that the agreement on good relations between Poland and the CSFR, which the Sejm had not yet ratified, contain a clause insuring minorities of certain rights. The "Wspolnota" visit to the Polish capital disturbed Polish organizations in Zaolzie. "The delegation made the visit without the approval of the whole Polish national group," the Council of Poles in the CSFR announced. The protest was published in GLOS LUDU, an Ostrava publication. The newspaper's present editor in chief, Marian Siedlaczek, sat down with Gawlik at a table in the restaurant at the Piast Hotel. They spoke amicably and freely, like good friends.

Vice Chairman Gawlik said: "If you could also note that we intend to begin economic activity. We must somehow continue to exist after the federation breaks up."

I ask whether the "Wspolnota-Egyatteles" Political Movement is now seen in a different light, as being less extreme.

"It was just that before the Polish press made a fuss for no good reason."

#### We Are Not Extreme

"We operate within the framework of rights provided in the regulation. And so we state views that do not always coincide with the official, state-building line. That is not our fault. We have certain goals, and we have to carry them out. Here is an example: The daily newspaper KORIDOR, a publication of the party at present in power in Slovakia, attacked the request 'Wspolnota' made during a discussion on the future Constitution of the Republic. The request:

'To protect the identity of citizens, high-level regional units should be created that take the local natural, ethnic, regional, and linguistic elements into account.' And KORIDOR's response? 'Isn't such a demand a promise of autonomy? In any case, the request cannot be called anything other than an attempt to undermine the integrity of the state.'"

"Our proposals were therefore aimed at undermining the integrity of the state. Therefore, we are a dangerous, extremist organization. It is pretty easy to jump to such simplistic conclusions. Meanwhile, I would like to emphasize that certain rights are violated just in those two articles of the Constitution of the Slovak Republic that directly affect minorities (Articles 33 and 34) and in other provisions creating a general legal climate concerning minorities. Examples are violations of the right of association (political organizations of minorities can be forbidden), education (schools with minority languages can be closed), equal rights, and the creation of cultural self-government."

"What is more, this Constitution does not provide any guarantee that areas where a given national or ethnic minority resides will be protected from administrative interference. You can just imagine what this suggests. So please do not be surprised that our movement will steadfastly call for amendments to the present Slovak Constitution. We cannot agree to discrimination against minorities, to being relegated to the role of second-class citizens. Our identity is in jeopardy. Anyone who does not understand that does not understand anything."

**German Minority's Kroll on Loyalty, Extremism**  
*93EP0116B Warsaw RZECZPOSPOLITA in Polish*  
*11 Dec 92 p 2*

[Article by Zbigniew Lentowicz: "In Poland, in One's Own Heimat"]

[Text] "Do not use catchwords taken out of the context of an example. Try to delve deeper. After all, we stayed where we had always been. We live in our own Heimat. It was our Vaterland that deserted us," said, dramatically, Deputy Henryk Kroll, chairman of the parliamentary German Minority Club and leader of the Germans in the Opole lands, to journalists at the Polish Information Agency's press center in Warsaw. He urged them to make an analogy with the situation of the Poles in Lithuania.

"Many of you believe," he said, "that we are a threat to the Polish community, that most people are afraid of us. And, yet, it is we who are the minority. We too have the right to be afraid. In Lubon, something happened that could be called a bomb scare. In the Opole lands, some skinheads appeared, who knows from where."

There are no accurate figures today as to the number of Polish citizens of German descent in Poland, or those admitting to German language, culture, or traditions (as the letter of the treaty between Germany and the FRG, "Good Neighbor Relations and Friendly Cooperation," dated 17 June 1991, defines it). According to some sources, there are 300,000 of them—maybe even a million. They live primarily in the eastern part of the Opole lands

and the regions in the Czestochowa and Katowice voivodships that adjoin them. In these lands in the last self-management elections, 380 German councillors were elected. In 26 out of the 63 gminas in Opole voivodship, minorities make up the majority in the self-management. Sixteen chief officers and mayors admit to German descent. In 1991, the minority produced a large number of representatives to parliament. The Sejm club has seven deputies, and a German senator was elected from the Opole lands.

The German Minority Sociocultural Society (TSKMN) in Opole Silesia, the largest in the country, with headquarters in Gogolin, has 190,000 members. Its representatives are members of the council of German societies, which is made up of almost 30 generally small organizations usually scattered in the large cities located in western and northern Poland.

"The tragedy of the expulsion that happened after the war affected us just as much as it did the Poles who were resettled from the East," says Kroll in the name of the Silesian Germans, and adds "We realize that our society brought about this tragedy, but did we, ordinary people, bring it about?"

The deputy attempts to convince us that there is no proof today that Polish citizens of German descent, of which he is one, are disloyal. They coexist well, in his opinion, particularly at the bottom: in the gminas and villages, where the original inhabitants and postwar newcomers have been building their neighborly relations for decades—for good and bad. The parliamentary activity of the German deputies is also acknowledged as being constructive.

It is true, the deputy admitted, that the iron crosses and some of the inscriptions on the redesigned monuments to fallen soldiers could have caused the Polish residents and authorities some anxiety. But, in the one or two cases out of 40, it was not a matter of glorifying the heroes of the Wehrmacht in the last war. And, even if there are such cases, the inscriptions were not composed with any ill intentions or premeditation. Most of the inscriptions simply speak about the victims of the first and the last war.

These monuments were there earlier. Later the authorities destroyed them in an organized way, primarily at the turn of the 1950's and the 1960's. Says the deputy, "They are part of the Silesian tradition that dictates that obelisks be erected in the center of a village or a parish to commemorate those who died far from home and were not buried in the family cemetery. In Proszkow, for example, a building committee applied for an official permit. The officials turned out to be incompetent, and the blame was placed, as usual, on the underlings. Kroll is not able to say now whether attempts were made to obtain permits in other places. But he thinks more monuments will be erected and that the residents will organize spontaneously. The commissions recently appointed by the Opole voivode, made up of representatives of the minorities, administrative organs, and the church, will now change the appearance of the rebuilt monuments. Kroll: "We agree that the iron

cross should be replaced by the more universal Christian cross, that the inscriptions be revised to speak about those who died in terms of victims, and that Polish translations appear alongside them."

Asked to comment on the expulsion from Poland of one of the neo-Nazis who had been in Dziewkowice for a year, Kroll announced that the German authorities who permitted this export of extremism to Poland should be blamed for its presence, and our authorities, also, because they reacted too late. Minorities must not be linked to neo-Nazis, said the deputy, calling the presentation of an honorary TSKMN membership card to one of them a mistake.

Avoidance of conscription in Poland is not limited strictly to German youth, says Kroll. He believes that the census rolls are not kept current. In 1989 alone, 250,000 people moved from Silesia to Germany. A year later, it was 133,000—which must have had an impact on draft board figures.

There are no dual names of places in Opole lands, except for the unfortunate case in Dziewkowice, according to Kroll. We understand that this is an extremely difficult matter, and we do not want any friction. The signs that contain invitations to travelers, or the private nameplates with German names of streets on a couple of houses, are, in the opinion of the deputy, completely unworthy of attention.

Most of the important minority representatives, he says, do not share the revisionist views that appear on the fringes of the main current—for example, those publicly stated by former deputy George Brylka (he resigned from the Sejm in October, giving health as the reason).

We have always been steadfast and avoided all extremism, both from the left and from right, says the minority leader. They simply want to live in Silesia in peace, to become part of Europe. But thus far, says Kroll with resentment, they have been shunted to positions in the administration. After this year's long period of "frozen contacts," regular talks will begin any day now with the voivodship authorities on the subject of Silesia's future.

#### 'National Offensive' Situation in Dziewkowice

93EP0116A Warsaw RZECZPOSPOLITA in Polish  
10 Dec 92 p 6

[Article by Katarzyna Kolodziejczyk: "We Are in Complete Agreement on This Matter"]

[Text] (PAP) On Monday (8 December) in the evening, SAT 3 (Austria and Switzerland) broadcast a report by the well-known correspondent of German Television ZDF on the situation in the small Opole town, Dziewkowice. The residents would like to change its name not so much to Schewkowitz, which it was a few hundred years ago, as to Frauenfeld, its name during the days of Hitler.

The FRG television viewers had already seen this report, but it had to be repeated because they were very moved by it. It tells not only about the monuments and tombstones being erected there to the "heroes of the Wehrmacht" and not only about the iron crosses that embellish them. Nor

did the German journalist stop at showing the house in which the young German fascists established their hideout and are admitting without any embarrassment that they want to restore the German Reich—which was also reported by Polish television.

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All of this is taking place against a totally different background, not at all befitting that which Terjung is showing. Millions of Poles are crossing the border with Germany, and the same number of Germans have been arriving recently in Poland. Politicians and businessmen of both countries are making efforts to see to it that the declarations of goodwill and words of friendship, expressed so emphatically in the two treaties that have been concluded, become an everyday practice between the Poles and the Germans. It may be said that the major policy in Polish-German relations shifted from diplomatic offices to the Polish-German border. Here with varying success, but quite consistently, programs of regional and border cooperation are being developed—and sometimes even already realized. In our understanding, the rights that, in conformity with European standards, Poland granted the German minority, as well as the duties to which the Polish citizens of German descent obligated themselves, according to these same rules, also serve these goals.

And, as if in the shadows of these achievements, voices were heard that sounded unfriendly and foreign to the Polish ear and to most Germans. The German journalist's report confirms this.

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Knut Terjung is inquisitive. In the thickening, before the television camera atmosphere of this provincial place—neither a town nor a large village—where 90 percent of the residents constitute a German minority, a picture emerges of a young, well-educated politician activist who speaks very candidly about a German organization on Polish soil. He has already been able to establish it and is now expanding it.

Twenty-two-year-old Gunter Boschuetz is a German. He travels here regularly from the western lands (Baden-Wuerttemberg). Always with his friends, also right-wing extremists who call themselves national socialists. Their activities were described perfectly by Anke Weig in BERLINER ZEITUNG, most of whose readers are still in the former GDR. Germans from the FRG are coming every two weeks, maybe more frequently, and canvassing the minority to join the federal party of the German right. There are already a considerable number of them. Boschuetz recently organized an extraordinary congress of the Silesian "National Offensive," attended by 30 representatives from Silesia and 20 from the FRG. At the same time, they were able to establish a second hideout in Zabrze. In the spring of next year, Boschuetz intends to organize a youth camp for 36 Poles, whom he was able to recruit. The camp will be in the spirit the Fuehrer would have wished, he says.

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"We must restore the homogenous unity of the German Reich, from which all foreign gangs will be excluded," he said with complete calm before the television camera.

"What does it mean to restore the German Reich? asks a German journalist.

"It means to recover the eastern territories, those that belonged to the Reich in 1914—that is, Pomerania, Eastern Prussia, Western Prussia, Lower Silesia, and, naturally, Upper Silesia, Poznan," he replies.

The large, stocky German quietly lays out his rationale, presents arguments, shows how much was done with the help of FRG funds allocated to uphold and maintain traditional German cultural values and raise the standard of living of the German minority there to a higher level.

We hear the names of various local organizations and persons: the Polish people in Dziewkowice who are holding offices, those whom it was possible to enlist and co-opt into cooperating with the Germans, who are well prepared for their tasks.

"Do you agree that what you are doing is very sneaky?"

"That is not an elegant way of putting it, but I agree that that is exactly how our work can be described."

"What will happen when the Polish authorities stop tolerating your activities and send you back to Germany?"

"Well, we have to take that into account, although everything we do here is according to law, and there is complete freedom of speech here. Therefore, I do not think it will be all that bad."

"But, if it happens," the persistent Knut Terjung asks, "what will you do?"

"Well then, others will continue what we have begun here," the German calmly replies.

The camera mercilessly shows what the effects of such a situation may be.

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These are the first reactions in nearby Opole. Polish skinheads, in their daily briefings devoted to a discussion of the current situation, explicitly announce what they are doing to the German revisionists. The camera focuses the attention of the viewer on the shaved heads of the young screaming Poles and on their boots, the same as their German adversaries wear. Against the background of a loud yell—"One shot for every German"—an Israeli flag and a German flag are set afire.

"Fascists against fascists" is how Terjung concludes this sequence.

The havoc the right-wing extremists are wreaking every day in the FRG, as well as the memory, in many cases, of the disgraceful acts committed by the Germans in World War II, have made a large part of German society extremely sensitive to the signs of neofascism now appearing.

But can a handful of right-wing extremists have an effect on Polish-German relations? Perhaps in regard to those millions of Poles and Germans who, during the course of a single year, cross our borders for purposes of tourism and commerce, as well as for important economic purposes?

"Imagine a situation," says Terjung in an interview with RZECZPOSPOLITA, "that results in an ordinary fight in Dziewkowice." And, for the most part, elderly people live there. "All it would take is for one person with a heart ailment to die," Terjung continues, "and there is a ready-made tragedy. Another open conflict because of the minority question would then begin. We can also look at this matter from another point of view. "Because the problem about which we are speaking," says Terjung, "is not only our problem or your problem. It is precisely a Polish-German problem. The Polish administrative authorities, as well as the comparable German authorities, particularly those who deal out the money, should cope with this situation each in his own way, before it becomes a truly serious problem.

Because then the well-being of Polish-German relations may be disturbed. And, after all, in the matters of which we speak here, we are in complete agreement.

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On 9 December, the Opole voivode decided to expel from Poland a member of the neofascist organization "National Offensive," visiting in Dziewkowice from the FRG. Prior to that, an "administrative talk" was held with several neo-Nazis visiting in Dziewkowice. It was determined that the 22-year-old Guenther Boschuetz violated the provisions of the laws governing foreigners and census records, and personal identity cards. He is to leave Poland by 11 December, and the voivode will consider making a request to the Ministry of Foreign Affairs that his name be added to the list of persons whose presence in Poland is not desired.

Boschuetz has been in Dziewkowice since November 1991, with interruptions, without a visitor's visa, which is required for stays longer than three months. He was not registered, nor did he have an exit visa.

**Ministry of Interior Press Activity Discussed**

93P20071A Bucharest ADEVARUL in Romanian  
9 Dec 92 p 2

[Article by Petre Nicolae: "Transparency in the Ministry of Interior"]

[Text] Recently, there was a press conference at the Interior Ministry for journalists working for ministry publications. Lieutenant Colonel Vasile Vasilescu, chief of the Press Service of the Ministry of Interior, briefed us on the subjects discussed:

[Vasilescu] I would like to stress that this was a first for us, under conditions in which the number of press organs of the ministry—for the benefit of anyone who does not know this information—has reached almost 50, including 10 published in Bucharest and the others at the county-police level. Interior Minister Major General George Ioan Danescu presented the concerns and priorities that are receiving the attention of the Interior Ministry, stressing that we can receive significant assistance in handling them from the press, including the ministry's own publications. The participants asked questions and made proposals and pointed out the difficulties that they, along with the entire Romanian press, are confronting as a result of increases in the price of paper and printing, and difficulties in distribution.

Among the most important proposals formulated, the following are worth noting: the establishment of a distribution network solely for Interior Ministry publications; the publication of an Interior Ministry daily; the transfer of the weekly newspaper POLITIA ROMANA to the General Inspectorate of the Police (as is the case in other service commands); the centralized procurement of paper needed for ministry publications; the institution of a subscription system; and the publication of a daily news bulletin. The aim is to ensure transparency, equal access, and the necessary impartiality in disseminating information on the activity of all departments of the Interior Ministry.

**Details, Commentary on Theodoru's Resignation**

93BA0356A Bucharest ROMANIA MARE in Romanian  
4 Dec 92 p 3

[Article by Dan Ioan Mirescu: "History of a Party"]

[Text] It was Wednesday, 25 November 1992. I was in Covasna on newspaper business. In the evening, at 2300, I was listening to the "Radio Free Europe" broadcast. It is a routine I have followed for some 30 years, but never had I heard, from my perspective, more astounding news. Radu Theodoru, our colleague at the paper and in the party, a man with whom we had shared many hardships and enough joys over the past two and a half years, violently attacked us in an article published in daily newspaper ADEVARUL. At the same time, he announced his resignation from the party leadership and his withdrawal from the political formation that, together with us, he only recently had created.

Astonished, not believing my ears, aware of some of the drivel that has been aired on "Radio Free Europe" in

recent years, yet greatly saddened, I telephoned Corneliu Vadim Tudor in Bucharest in the middle of the night. "What has happened? What is this about Theodoru?" were the first words out of my mouth after hearing that baritone voice answer at the other end of the line. "I only know what you know, but it is incredible. Theodoru attacked us with a violence totally out of character with the man we knew. He accused me of being a dictator, that I patronize the party, that I favor the newcomers, former National Salvation Front [FSN] deputies, that I use the party for personal interests and that those who surround me are 'yes men.' What do you think about these charges, Mr. Mirescu? Do I deserve this? Do Mircea Musat, Barbu, you, and the others who were so close to him deserve the invective that he has poured forth?" Recovering my senses I responded, "We know that in recent months Theodoru has undergone a crisis of conceit; he has been unhappy and he has made known his opposition to the newcomers, especially Daniela Buruiana and Smaranda Ionescu. I pity him for what he has done." "Tell me," Vadim continued, "what more should I have done? You know only too well that I gave him a free hand in party matters. You were there when I told him, 'You and Mircea (n.n. Mircea Musat), you concern yourselves with the party.' He did whatever he wanted to do and however he thought best to organize the party structure; I did not intervene. To the extent possible, I gave him people to help him, I gave him money, a car, and when he asked me for assistance I responded immediately. What more could I have done? I suggested that he run for mayor of Bucharest and you all were in agreement. He wanted to run for senator and I was not opposed. Even more than that, I accepted his frequent vacillations, even to your detriment. He wanted a portfolio in the new government and I placed him at the top of the list, should a coalition have been formed. I accepted this last request with reservations, only because you wished it, since, as far as I am concerned, we had begun to realize that Theodoru has a form of sclerosis that was sapping his ideals. He wanted to be a presidential candidate but I opposed this just because of these defects that were becoming evident. You, too, had the same opinion. Yes, the deputies Negoescu and Lupau came over to our party, and others did too. What was I supposed to do, refuse to accept them? Did I make decisions regarding these men without consulting you? He accused me of being surrounded by toadies, but here he has wronged you as well, and those few others who form the nucleus of the publications and the party. That there were those who came to us who wanted to profit from the position earned by our newspaper ROMANIA MARE, I knew that. Some of them I removed, but you cannot expel them, you cannot know from the outset everything that will happen down the road. He said that I held dinners at restaurants and that I discussed party matters at such gatherings. What is wrong with that? What great secrets did we have? Were we trying to overthrow the president or the government? Did we ever get drunk and make fools of ourselves? We sat in our corner with Eugen Barbu, Mihai Ungheanu, Grigore

Vieru, that poor couple, the Teodorovicis, the poet Matcovski or other friends from the other side of the Prut, with writers, men of the arts, Romanians from abroad, and Michael Titus and Eugen Mihaiescu and many others. Neither Petre Roman, nor Stolojan, nor the mayors Oproiu, Pana and Halaicu, none of them wanted to give us a party meeting place. We stayed in tiny little rooms while dozens of phantom parties had luxurious facilities at their disposal. Is it fair what Theodoru has done?" "I am brokenhearted," I said, "there is much truth in everything that you have said. There were problems, shortcomings, and, as far as I was concerned, I was not always in agreement with measures taken. However, I always said what I thought and sometimes my views carried the day. It is useless to talk about specific issues since you never claimed always to be correct. What can we do?" "Well," he said, "from the moment I learned of Theodoru's actions, I decided to answer his charges, especially since Paunescu called me and asked that I say something. During the night I wrote what I had to say and I sent the material to VREMEA and they published it today. In my article, I informed everyone of the changes that have taken place in Theodoru, that he is nothing but a careerist possessed by the desire to come out on top regardless of the price." And, dear readers, these were the thoughts of Mr. Cornelius Vadim Tudor, and they represented my first reaction as well.

I hurried back to Bucharest. I read Theodoru's statement and his interview, the positions taken by the chairman of the Romania Mare Party and the party committee's director. I was grieved and bothered, but I was also certain that *nothing and no one would succeed in subverting the ideals and goals of the Romania Mare Party*. I tried to understand Radu Theodoru's reaction, which seemed to me hardhearted and for the most part lacking any objectivity. I tried, too, to understand Cornelius Vadim Tudor's response, which was downright devastating to our former colleague. I decided that we were witnessing the reactions of two wounded men. Radu Theodoru, who performed meritorious service in organizing the Romania Mare Party, suffered from political naivete and thought he would be elected mayor of Bucharest. For him as well as for the party, the February 1992 voting returns represented a success. Unfortunately, he did not grasp the real meaning and he suffered his first shock. Knocking at the presidential door, it was suggested that he run for the highest post in the land. But it was explained to him, and not only by Vadim, that we had to be realistic. Like it or not, Ion Iliescu was the only viable solution. Again he did not understand, and suffered his second shock. He decided to run for the Senate in the general elections. Knowing each of the county party organizations, he chose a favorable position, a county where the party had more followers, and he set himself up at first in Constanta county. Then, for motives he never explained, he announced that he would run in Vilcea. In these circumstances, as the committee director had left it to us to choose where we would run, I decided to be a candidate in Arges, the county of my youth, where my parents were born and where I knew practically every resident. The party council in the county (9 persons)

voted unanimously for my candidacy for Senate, as there was a good chance it would succeed given the number of supporters our party enjoyed there. Then, unexpectedly, with no explanation and on his own initiative, Radu Theodoru reconsidered and told the Arges party organization that at the top of the Senate candidates list would be...Theodoru! Vadim then asked me not to be angry and, to avoid dissension, to give in to him. I did so with regret because the party would lose many votes. The elections proved that and the party deputy chairman failed to enter the Romanian Senate. Here—please forgive me—I do not share Mr. Vadim Tudor's opinion that Theodoru was a resounding failure. More than 25,000 people voted for our list, and implicitly for his candidacy. That was more than 9 percent of the voters, which placed the PRM [Romania Mare Party] in fourth place in that judet. It was another success, but Theodoru suffered another shock. Personally, I was right there along with him, but it was Vadim Tudor most of all who was disheartened by the failure and by the imperfections in the electoral laws. Confused, Theodoru clung to a last hope, the government! But again, this was not to be, a situation in which the nerves of a man heavily burdened, 70 years of age, simply collapsed. We know the results: reacting like some wounded beast, he attacked us. On the other hand, Cornelius Vadim Tudor was gravely wounded, even if he did not know it. This same man who wrote a few small poems glorifying Ceausescu to survive in Romanian literature, being somehow more balanced than 99 percent of his colleagues, had the strength of character to unmask the miserable theories of the Rabbi of Romanian Jews who wanted to tear down historic monuments. This same man even attacked one of the dictator's offspring and now plays an important role in Romanian politics. Nor is it just him personally, but also the daily ROMANIA MARE, which he heads by no accident. He, Vadim, injured and slandered by crowds of idiots and semi-illiterates, and more rarely, by men of culture such as Manolescu, Blandiana, Stelian Tanase and Andrei Plesu, was stabbed in the back by one of the men closest to him, one who had turned against him. The knife was thrust deeply, unexpectedly, and the aggressor was a friend. There followed a furious response that, if it was possible, even exceeded the gravity of the attack. Here we must maintain balance and we must not dramatize or exaggerate the opinion of a man who was free to express his views, even if he did not express them loyally. Otherwise we will provide grist for the mill for the wretches, those who would sell out the nation and the country, little peddlers, scandalmongers, slanderers, and scoundrels.

During his interview, Theodoru was asked if other party leaders shared his ideas. He responded, "These are only my views; I did not form a coalition nor did I participate in underground plots." Asked if there was a danger of a party split he responded, "No, no. I do not see why there should be." Asked what opinion he had of Cornelius Vadim Tudor, he responded, "He is a man I hold in high regard, a poet and journalist of the first rank. I will always remain a colleague of his, a comrade-in-arms. I feel no rancor toward him. He has never wronged me, nor I him. We were

almost like brothers. Corneliu Vadim Tudor has unquestionable merit, he is a catalyst of national opinion, a lampoonist both bitter and sweet, a man of encyclopedic knowledge, gifted with an extraordinary memory, a fabulous Balzacian personage in full creative bloom." In response to another question concerning the Romania Mare Party, he stated, "The Romania Mare Party, until just a few months ago, was a very clean organization, firm and principled in its relations between the leadership and the grassroots elements, and among members of the leadership.... I know well the large number of valorous cadre, first-rate intellectuals, university professors and technicians who are deeply involved in society and who belong to the party. I am convinced that the Romania Mare Party will not allow itself to be involved in any adventure of totalitarian-dictatorial ambition. I hope that all of those who, along with me, formed the Romania Mare Party and with whom we achieved significant results in the recent parliamentary elections will rationally and responsibly surmount the current leadership crisis and, closing ranks, bring into being the sacred ideals of a Greater Romania."

The long and the short of it is that Radu Theodoru holds Corneliu Vadim Tudor in high esteem, he believes strongly in the Romania Mare Party, and his accusations are confined to activities in recent months, to the negative influence, so he argues, of former FSN parliamentarians. Is this so? Let us see. The accusations are that in recent months Vadim Tudor has renounced dialogue and has demonstrated dictatorial or authoritarian methods, that he has bought political supporters through gifts and sumptuous dinners, and that he is surrounded by an entourage of bootlickers. Mr. Theodoru, is it possible for Vadim Tudor to change so much in just a few months? The very same Vadim was clean and good from the spring of 1990 when you met him through February or March of 1992 when suddenly he became a dictator and a boss, a corrupter, and was interested only in himself.

Let us be serious, readers. The party was established in the summer of 1991 after Vadim had resisted this initiative for almost a year. It was the idea of about 10 or 15 people, not the trio that Theodoru speaks of. All of us together agreed that the chairman of the new political organization would be Cornelius Vadim Tudor. By consensus, following well-thought-out political goals, a coordinating council was established, and a committee director was chosen from its ranks. All of us together, and foremost Radu Theodoru, contributed to the development of a new party and the successes it enjoyed. Was Vadim a dictator? That is ridiculous. As I wrote earlier, he gave us practically a free hand, he gave Theodoru the room to build the foundations of this grand idea but now on a political level: Romania Mare. Theodoru did what he wanted to do, went where he wanted to go, imposing his point of view that most often was correct. Even in recent times, it was he who named the overwhelming majority of the candidates for deputies and senators, consulting, of course, with the judet organizations. Vadim intervened in two or three cases. He wanted Daniela Buriana to run in Galati, but faced with stubborn resistance from the local leadership, he relented. However, he insisted that Dan Popovici be a candidate in Pitesti,

believing that opposition from the local party officials there lacked objectivity. It is true that at the last minute he asked that Deputy Smaranda Ionescu be placed on our list of candidates, and we in the party leadership, with the consent of those in Braila, added her. Whether by chance or not, she was reelected to the Chamber of Deputies. This is how we summarize Vadim's "dictatorship."

It is true that Vadim Tudor opposed the party's drift to the left, the line that Theodoru wanted. It is also true that Vadim opposed contacts that went beyond protocol with the Cuban, Iraqi, DPRK [People's Democratic Republic of Korea] and Vietnamese embassies, in other words, closer contacts with representatives of totalitarian, communist regimes. This ran counter to the wishes of the party's deputy chairman. This was not dictatorship, but firm opinion, backed in unanimity by the coordinating council. Furthermore, it was Radu Theodoru himself who tended toward a sort of centralism, ignoring the coordinating council and even members of the Directorial Committee, and desirous that all decisions be made by the trio Vadim-Musat-Theodoru. Having a suspicious nature, seeing an enemy in everyone, he tried to accumulate power, but others opposed him, especially the party chairman. Displays of bossiness were not evident in party matters, and rarely—unfortunately, entirely too rarely—when it came to party funding. It is no secret that we are poor, that we did not make deals with merchants or ad hoc sponsors, that we did not organize in taverns or boutiques or anywhere else where we would have been able to raise some funds. The money that sustained the party was Vadim's money, which came from the sale of his periodicals. In this regard, Theodoru told a great lie, stating that the "boss" forced us to peddle the magazine REVISTA, like simple newsboys! He did ask that we be more involved in organizing the distribution system, and Mr. Maltopol, whom Theodoru cites in his attacks against Romania Mare, was not "tossed aside like a pile of old clothes" by Vadim, but was advanced to the post of counsellor in the Bucharest mayor's office. The boss demanded that his employee (Maltopol) be efficient. There is nothing wrong with that, Mr. Theodoru. The charge that Vadim was trying to use the party for his own ends is once again far from the truth. Even Theodoru acknowledges that he was treated as an equal and to the extent that the party chairman was pursuing a policy, it was a policy that we were all interested in, and not for our own ends, but for the *national idea* in which we strongly believe and to which even Radu Theodoru still adheres.

The accusation that Vadim corrupts men disqualifies Theodoru. He knows that the party chairman is generous; he acknowledged that himself. The fact that because of his work he is more wealthy than the majority of us, allowed him to invite us often to be his guests. In this regard, dear Mr. Theodoru, you have erred grievously. This is no longer a political opinion; it is meanspiritedness and immaturity.

Finally, we come to the fundamental charge, that the party's ideals were subverted by a group of toadies, profiteers, and worthless men. There is room here for a broader interpretation. I hope, Mr. Theodoru, that you have not

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included me in this category. As is well known, I have always expressed my views openly; I had disagreements with Vadim Tudor, and difficulties, but they were overcome with patience. We have men of probity and dignity, such as General Doctor Bandila, Cornel Ciontu, the sociologist, the veterinarian Dr. Viorel Chirita, Mircea Hamze and Constantin Anin, who have never been anyone's puppets. Yes, I agree that Theodoru is correct when he says that bootlickers and social climbers gathered around Vadim's doorstep, but they are not part of the party

leadership. Vadim and the rest of us have the capacity to choose. The history of the Romania Mare Party is in its beginning stages and I will assure you that many more pages will be written in the coming generations. The party founders will do all within their power so that these pages are covered only with triumphs gained through honesty and justice. I am sorry for Radu Theodoru. I cannot forgive myself because I was unable to help him regain his balance, and thus stop him from committing this great error.

**Meciar Warned Not To Adopt Authoritarianism**  
*93CH0223A Bratislava NARODNA OBRODA in Slovak*  
*14 Dec 92 p 3*

[Commentary by Igor Cibula: "Warning Signals Addressed to Prime Minister Meciar: Priority to Public Interests"]

[Text] Prime Minister Vladimir Meciar has taken upon himself the heaviest burden of responsibility during the complex process of the Czech-Slovak settlement that will soon be concluded with the establishment of an independent Slovak state. His errors earned him criticism particularly from the journalists, but, above all, he had to face a campaign inspired by his political opponents and aimed at discrediting him. Our public kept forgiving him some of his transgressions, particularly because it did not doubt Meciar's sincere determination to build the relations between the Slovak Republic and the Czech Republic on foundations of fairness.

However, increasing signals recently indicate that the amount of political goodwill toward Meciar has declined not only because of his inconsiderate, controversial pronouncements that hurt Slovakia's good reputation abroad, but mainly because of his authoritarian manners, which have cramped relations even within the HZDS [Movement for a Democratic Slovakia]. This is precisely what has given rise to doubts concerning Prime Minister Meciar's attempts to fill positions of responsibility in the Slovak Republic on the basis of loyalty toward his own person without proper consideration of broad-based public interests and national needs.

In that context, opposition groups expressed apprehension about the possibility of an autocratic system in Slovakia after 1 January 1993. This would be a timely prognosis if a lackluster politician lacking adequate backing and experience should attain the office of the president of the Slovak Republic. That post should be filled expeditiously, as our internal democratic stability and the international prestige of an independent Slovak state demand.

It should be noted that the fears about democracy in Slovakia, spread from the sources in Prague, sound overly hypocritical. Even among the Czech journalists are some writers who are already pointing out the fact that "the scrupulous attention to the conduct of the Slovak elite does not go hand in hand with an effort to apply the same criterion to the conduct of the Czech elite." To be sure, the improper occurrences on the Czech political scene include the authoritarian statements made by Prime Minister Vaclav Klaus, who is unabashedly antagonistic and intolerant toward his political opponents, not excepting the journalists.

But even this circumstance, including the excesses of the Czech right-wing extremists, does not entitle the Slovak politicians to tolerate any symptoms of authoritarian tendencies that may possibly appear in the independent Slovak state. Precisely at the beginning of its sovereign existence, the Slovak Republic will need a democratic climate so that, during the coming complex period, it may use to the fullest the creative potential of every citizen, irrespective of his nationality, religious conviction, or

political persuasion. For that reason, the authoritarian aspects of Prime Minister Meciar's political conduct should not be a taboo, particularly not in the HZDS, which, as the winner of the parliamentary elections, has assumed the greatest obligation of responsibility for Slovakia's nearest future in a complex European situation.

**Role of Urban Centers in Education Stressed**

*93CH0223B Bratislava KULTURNY ZIVOT in Slovak*  
*2 Dec 92 p 5*

[Article by Ladislav Kmet: "What Is To Be Done To Get It (Intelligentsia)?"]

[Text] If Boris Lazar had pointed out a long time ago that Slovak awareness had failed because of the failure of the Slovak cultural elites (*KULTURNY ZIVOT* Nos. 36-37, 1990), the question Martin Golema asks in *KULTURNY ZIVOT* No. 45, 1992—"How Are You Doing, Slovak Intelligentsia?"—may surprise any man in the street, though it has been familiar for quite a while to that handful of Slovak intellectuals destined to live in the current hectic era on this particular spot of the sore globe, in the middle of Europe.

The answer to the above question is rather obscured in the entire essay but certainly not only there. Naturally, it is very difficult to find an answer. I shall try to at least help look for a direction for that search from the point of view of an urban expert.

To be sure, any intelligentsia by appropriate European standards is quite closely linked to urbanization—but in a good sense of that word. However, let us now disregard the question "Which is first, intelligentsia or urbanization?"

Thus, I guess we do not need a great number of demanding sociological studies or analyses if we intend to emulate these models in order to find an answer to the third question: "What is to be done to get it?"

With respect to M. Golema's essay, I dare assert that this kind of urgent shock therapy would be effective even here and that we should proceed further and more rapidly with urbanization(?!)

All this past summer, the findings of public health research among the population of central Slovakia and, in particular, of the Banska Bystrica district were posted in the window of Bystrica's old town hall. On the basis of these results, one may conclude that, the wretched quality of our hastily built towns notwithstanding, the conditions of our citizens' health are the best precisely in the towns and their nearest vicinity. Worst off are the residents of the countryside on the Upper Hron River(?!).

On several occasions, certain university professors called to my attention their observations from interviews for college admissions that, as concerns general education, high school graduates from Bratislava were quite a few paces ahead of high school graduates from the countryside, although here and there those differences tended to disappear gradually.

These facts could be discussed from quite a few standpoints. The experience from civilized countries is so convincing that, no matter how different we are, if we do not put our residential system and its actual hierarchy in order, our life-style will become the most expensive in Europe. However, the flow of information for our cultural and educational needs is pathetic. The paths from the Czech cultural centers will soon be so distant they will be out of sight.

The structure of employment is undergoing a change also in our country. The volume of job opportunities has declined in Sectors I and II but increased in Sectors III and IV. If quite recently Sector I used to predominate, it was Sector II during the socialist industrialization program, while Sector III accounted for only 15-20 percent; this ratio will slowly change in such a way that Sectors III and IV will employ up to 70 percent of our active citizens. The jobs in Sector III are concentrated mainly in towns or the urbanized countryside (High Tatra Mountains). Sector IV, which includes science and research, is unthinkable without academic facilities in its immediate vicinity. The school system as such, not to mention culture, trade, repair services, banking, hotel facilities, and public administration, would barely scrape by without an urban backdrop.

Civilized countries enjoy an urban style of living. If cities with multimillion populations are being currently depopulated, I doubt that we would be faced with that particular problem in the near future.

Our current level of urbanization is slightly over 49 percent. In 1946, only 14 percent of Slovakia's population lived in towns with more than 10,000 residents. In Great Britain, it is more than 85 percent (?); in the former FRG it is 83 percent; and, in France, Spain, and Italy, it is approximately 67 percent. Switzerland has a long-range program to lower urbanization from 62 percent to 60 percent, in particular because it cannot deal with its five urban centers, each with a half million residents in the west of its territory; its east is less populated. Are we not faced with something similar because of the ongoing expansion of Bratislava?

With the relatively low per hectare density of population on Slovakia's territory—1.07 residents per hectare (4.4 citizens live on 1 hectare in the Netherlands, which is as if Slovakia had 22 million residents at this time!)—the optimum degree of urbanization for us would be the same as Switzerland's 60 percent. If in a few years there are 6 million of us, our current towns would increase by 1 million additional residents. The countryside would not be depopulated as much as some people estimate. With its 2.5 million residents in the countryside, it still will be our Slovakia as in the days of Hviezdoslav, Fulla, Bazovsky, and Alexy. That kind of Slovakia would have three or four metropolitan centers, with facilities of the highest standard. Slovakia's current division into two basic regions poses the threat of a real breakup. Even our fathers knew that, without building up central Slovakia (they seriously considered setting up a new capital of Slovakia somewhere on the banks of the Hron or Vah Rivers), Slovakia would not be able to support itself. That idea was snuffed out in

February 1948, although, as late as 1947, Comrade Siroky stated in the Slovak National Council that something should be done about it (that is, about the capital).

After that, we—they—succeeded famously. Mr. Golema describes what followed.

The intelligentsia, even the intellectuals from culture departments, cannot remain blind to civilization, and I believe that panegyric prose will continue to find enough topics even at this time and will help restore and humanize our horrible towns.

As I started with a quote from B. Lazar, I shall conclude my proposals with his idea about civilization.

"...The bottom-line question is whether we are capable of achieving civilization.... If not, this nation will languish or perish...." (also in KULTURNY ZIVOT No. 36, 1990). All I want to add is: Only an intelligent nation can achieve civilization in a spiritual sense.

### Macroeconomic Policy After Separation Viewed

93CH0220A Prague EKONOM in Slovak  
4-10 Dec 92 pp 20-23

[Article by Ivan Sujan, chairman of the Federal Statistical Office: "Macroeconomic Policy After the Breakup of the CSFR"]

[Text] In a market economy, the instruments of macroeconomic policy play an irreplaceable role in maintaining the external and internal economic balance and stability of the currency, as well as in supporting economic growth and structural change. In the postcommunist economies, these fundamental roles of macroeconomic policy are joined by the establishment of conditions for their transformation into market economies. In the case of the CSFR, which is breaking up in the course of this transformation into two independent states, macroeconomic policy must also react to specific problems resulting from the division of the state.

In the first phase of economic reform (in the CSFR, this occurred in 1991-92), when prices were liberalized, as was foreign trade, when the internal convertibility of the currency was introduced and privatization of state enterprises was begun, macroeconomic (ME) policy fulfilled mainly a stabilization role. This was mostly a question of stifling inflation, maintaining the exchange rate following its devaluation, and halting the growth of foreign indebtedness.

### Fundamental Tasks for Macroeconomic Policy in the Second Phase of Economic Reform

With progressing privatization, both the Czech and the Slovak economies will enter the second phase of economic transformation in the years to come. The principal direction of ME policy in the coming period can be inferred primarily on the basis of the anticipated consequences of privatization. Privatization should lead to an express growth in production efficiency that, on the one hand, leads to a lowering in the number of workers and a growth of unemployment, but, on the other, results in increasing average wages and profits. The decline in employment and

the increase in average wages is approximately balanced in population income so that the impact on consumption should be neutral. However, a rise in profits should lead to higher investments, which will manifest itself as a growth impulse, along with the appropriate multiplicative effects. However, the demand for imports will also rise. A secondary effect of rising profits will be an increase in the volume of taxes; on the other hand, growing unemployment will require an increase in the volume of paid support, so that the overall impact on the state budget could be approximately neutral. However, the multiplicative effect of the investment growth impulse will create additional resources that will facilitate even a certain increase in private and public consumption.

From the above scenario of anticipated privatization consequences, it is possible to deduce the following directions that ME policy should take for that period:

a) It will be necessary to expand the proexport component of the policy and to intensify it so that, in view of the anticipated growth of imports, it might be possible to preserve a balanced balance of payments by supporting the growth of exports. This will be mainly a question of expanding state guarantees for export credits, strengthening and improving the quality of the commercial representations abroad, intensifying negotiations involving foreign partners, and integrating groups in an effort to improve access to foreign markets, and so forth.

b) Apart from bringing privatization to a conclusion and supporting exports, the structural policy component should be oriented toward supporting investments and the influx of foreign capital by, among other things, expanding and modernizing the necessary infrastructure and finalizing appropriate legislation.

c) Monetary, fiscal, and wage policy should gradually move from the current nonneutral regime to a prudently expansionistic regime. One of its fundamental roles remains the preservation of macroeconomic stability, but, in doing so, it must not retard the revitalization of economic growth based on progressing privatization. The anticipated investment growth impulse will kick in not automatically, but only if current and anticipated economic conditions are favorable. This also requires more advantageous conditions for investment credits. That is why it will be desirable, in terms of monetary policy and in support of investments, for the discount rate to be substantially lowered, also resulting in a lower level of interest rates. At

the same time, credit limits should be increased or gradually eliminated as temporary nonsystems provisions. It will be necessary to regulate the emission of money in such a way that it would be adequate to the increased volume of investments, as well as being adequate for the creative increase in the volume of current transactions, but so it would not have an inflationary effect. Fiscal policy should be oriented mostly at financing the necessary expansion of the infrastructure and toward state guarantees for export and some investment credits. On the side of state budget revenues, an important role will be played by the introduction of the new taxation system in such a way as to minimize the extent of tax evasion. In wage policy, it will be topical to rescind state regulation of wages as a temporary nonsystems provision.

d) Social policy will have to figure on increased unemployment, and, in this regard, it will be suitable to further tighten up the conditions for making support payments to the unemployed, as well as the amount of such payments, at least in relationship to the minimum and appropriate wage. The transition to a new system of social security based on special-purpose funds will be an important task.

Thus, an analysis of the anticipated situation shows that a goal-oriented ME policy should concentrate its instruments upon supporting two fundamental impulses involved in reviving economic growth: a growth of investments and a growth of exports. To a lesser extent, these are joined by a growth in state expenditures (mostly for infrastructure purposes) and by the resulting growth in consumption.

It is particularly important for the growth in the volume of production to be accompanied by a growth in its quality and by the competitiveness of its products. In addition to entrepreneurial and wage motivation, this requires the acquisition of the appropriate know-how from developed market economies, something that can be assisted by a substantial expansion of the influx of foreign capital. In this regard, it must be taken into account that the original factors supporting this influx (devaluation of the currency, high interest rates, low real wages, and, in some cases, even tax adjustments, and so forth) will gradually weaken and that it will be useful to replace them by finalizing suitable legislative guarantees, by supporting the revival of economic growth, and, thus, even the revival of favorable expectations of the future profitability of investments by firming up macroeconomic stability, and, last, but not least, by creating a stabilized political situation, which will be an extraordinarily demanding task in view of the coming division of the Czechoslovak federation.

**Development of Basic Macroeconomic Indicators in the CR [Czech Republic] and the SR [Slovak Republic]**

Indicator		Interyear Pace of Growth, in percent			
		Actual, 1991	Estimate, 1992	1993 Forecast	1994 Forecast
Gross domestic product in constant prices	CR	- 14.5	- 5.6	0.7 to 2.0	2.2 to 4.4
	SR	- 16.4	- 6.3	- 3.5 to - 2.0	0.4 to 2.0
Private consumption in constant prices	CR	- 22.8	9.3	- 0.3 to 1.5	0.6 to 2.6
	SR	- 26.4	2.8	- 7.7 to - 5.5	- 4.6 to - 2.2
Gross investments in constant prices	CR	- 32.2	- 2.5	2.0 to 4.0	5.7 to 9.5
	SR	- 31.0	- 2.0	- 5.2 to - 2.5	0.5 to 3.7
Consumer prices	CR	55.7	10.9	13.5 to 16.0	6.8 to 9.6
	SR	60.8	10.3	19.2 to 24.0	10.8 to 16.0
Degree of unemployment in percent of available manpower	CR	4.1	2.5	5.0 to 6.8	5.0 to 7.0
	SR	11.8	10.1	15.0 to 17.3	13.5 to 16.0
Balance-of-payments balance in billions of Kcs [korunas]	CR	+ 27.8	+ 19.5	+ 25.0 to + 31.0	+ 5.0 to + 15.0
	SR	- 2.3	- 5.8	- 19.0 to - 14.0	- 15.0 to - 5.0

**The Economic Consequences of the Breakup of the Czechoslovak Federation**

At the present time, the CSFR is heading for a breakup into two independent countries on 1 January 1993. In evaluating the prospects of the further development of these countries, it is necessary to take into account the current status of both economies, the extent of their interconnection, and the expenditures resulting from breaking up the joint state.

There are certain differences between the economies of the CR and the SR, for the most part favoring the CR. The per capita gross domestic product in 1991 in the CR was 21 percent greater than that in the SR. And, in the economy of the SR, a tendency to use more resources than are created is discernible (relatively higher investments, consumption, imports, and state expenditures in comparison to production, exports, profit creation, and so forth). High unemployment is a great disadvantage for the economy of the SR. However, this unemployment cannot be explained only on the basis of the harsher impacts of the economic reform upon Slovakia because the differences in the decline in production in the SR and the CR are far from being so great.

The considerable mutual interconnection between the economies of the CR and the SR is documented by the fact that the production of some important products in one republic is virtually completely absent in the other and is replaced by deliveries from the other republic. Deliveries from the CR to the SR, expressed in terms of value, are significantly higher than deliveries flowing in the opposite direction.

On the basis of available statistical data and other information, objective expectations, and polls, as well as model computations that take the mutual connection between economic magnitudes into account, it is possible to at least approximately identify the expected impacts resulting

from the division of the common state upon the economies of the CR and the SR. The principal anticipated influences can be broken down into five groups, as follows:

- The costs of a new currency, of state documents and securities, costs connected with the division of the state administrative apparatus, the Army, joint property, foreign representative offices, accompanied by the renewal of international agreements and other consequences resulting from the loss of international standing on the part of the CSFR.
- The anticipated division of the common currency will mean a gradual transition to international standards of payments contacts and, obviously, also world prices, which will lead to lowering the demand for mutual deliveries.
- The anticipated deficit financing involving some developmental programs in the SR will be aimed at supporting investments and exports and, thus, also production and employment, although at the price of increased inflationary pressures.
- The consequences of expanding the balances of payments of both republics following the separation of the state by including the balance of mutual deliveries (estimated for 1993 as being on the asset side of the ledger for the CR, with respect to the SR, at Kcs14-17 billion) and separation of the state budgets according to the principle "every man for himself."
- The impact of anticipated, unavoidable measures taken by the Government of the SR to reduce the negative side of the balance of payments and the deficit of the state budget.

The anticipated negative consequences will show up primarily in 1993—that is, during the first "shock" year following the division of the state—the year that was originally to be the first year of a certain revival following a previously necessary decline and stagnation in the first

phase of the economic reform. The negative consequences of the division will most likely be exacerbated by the fact that privatization is far from being completed, and by the fact that state organs of the republic, banks, enterprises, as well as the population, will only be slow in becoming accustomed to the new situation and to the new problems and restrictions resulting from it; in the agreements on collaboration between the CR and the SR, it is possible that a mutual lack of confidence and willingness to compromise may set in; the economic situation can be further worsened by psychological factors, as a result of social, racial, and nationality-type conflicts.

#### The Cumulative Negative Effect on the Gross Domestic Product

The estimated consequences of dividing the state will be significantly more unfavorable particularly in Slovakia, but will not be negligible even for the CR. Their cumulative negative influence upon the gross domestic product in 1993 could show up in the CR to the extent of 2.2 percentage points (the originally anticipated growth of the gross domestic product by 2.9 percent can be reduced to 0.7 percent as a result of the separation of the state), and in the SR it could be 5.9 percentage points (instead of the gross domestic product growing by 2.4 percent, it can decline by as much as - 3.5 percent). The impact on consumption and investments in both republics is even greater. The division of the state will have an extraordinarily serious impact upon the standard of living in the SR, where, in place of growing consumption, it is possible to anticipate its decline. The difference can amount to approximately Kcs3,600 less per inhabitant of the SR, or approximately Kcs9,000 less for every worker, which means that every worker in the SR would be working approximately two months in 1993 simply to cover the consequences of dividing the state.

It is useful to stress that the above estimates of the consequences resulting from the division of the state are quantified as differences in comparison with economic development in the case of a functioning federation that, however, represents only a hypothetical possibility today. The survival of a nonfunctioning federation would also lead to negative impacts that would very likely be smaller in the beginning but would have a tendency to grow over time. The previous table shows the development of selected macroeconomic indicators in the CR and the SR during the first phase of the economic reform (1991 and 1992), as well as a forecast of their future development for 1993 and 1994, following the division of the state.

The amount of unemployment that still has considerable "reserves" in the CR can increase in the SR following the breakup of the state, even in spite of anticipated remedial measures, to a level of 17 percent—a level that is virtually socially untenable (and some regions would be recording even substantially more unemployment). According to these computations, inflation in the SR will exceed 19 percent in 1993 (in place of the originally anticipated 12 percent). Even in the face of anticipated remedial measures, the liability side of the balance of payments for the

SR will increase significantly, whereas, in the CR, there will be an improvement on the assets side of the balance sheet.

It is clear that macroeconomic policy has to take into account the above impacts of dividing the CSFR. Its general aim for the second phase of the economic transformation will be to find a usefully suitable method for modifying the specifics for the CR and the SR in view of some of the differences in the starting conditions involved, in the consequences of dividing the state, as well as with respect to the real opportunities of further development at the disposal of both of the economies.

#### Specific Aims of Macroeconomic Policy in the Czech Republic

As we can see from the example of the former GDR, the current level and stability of the economy in the CR is undoubtedly the highest among all of the postcommunist countries. In view of this favorable starting position, in view of the relatively smaller impact resulting from the breakup of the CSFR, because of its historical economic, political, and cultural ties to West Europe, the CR has extremely favorable prerequisites for a successful transformation into a full-blown market economy, after it overcomes the initial problems based on dividing the federation. It will not have to modify the general principles of macroeconomic policy for the second phase of the transformation overly much. A prudently expansive macroeconomic policy, supporting the revival of economic growth, could be realized under conditions existing in the CR given the balanced nature of the state budget, so that maintaining macroeconomic stability would not have to be a great problem.

However, special attention will have to be devoted to regulating the bankruptcies of nonpromising state enterprises. The Fund of National Property, in which the proceeds of privatization are concentrated, could possibly cover a portion of the losses suffered by creditors. The time discrepancy between proceeds and expenditures of the Fund of National Property could be solved by issuing bonds. The growth of unemployment resulting from the bankruptcies would not have to lead to more serious social problems in view of the currently exceptionally low measure of unemployment in the CR (2.5 percent as of 31 October 1992).

#### Revaluation of the Czech Currency

The high positive side of the balance-of-payments balance sheet of the CR could create favorable conditions for the possible revaluation of the Czech currency following the anticipated division of the common Czechoslovak currency. Revaluation has the opposite effects from devaluation; in addition to valuating national work and property in relation to foreign countries, it acts upon the growth of consumption, investments, and imports, as well as on a decline in prices. Should it take place in 1994, we estimate that it could be at a minimum of 10 to 15 percent (that is to say, the basic rate of exchange of \$1 for Kcs28 could change to \$1 for Kcs24-25).

The CR could afford to reevaluate its currency even because it has adequate prerequisites for increasing the influx of foreign capital, particularly of German capital. Economically and geographically, Germany is the natural principal trading partner for the CR, its support is extraordinarily important to the accelerated entry by the CR into the European Community, and the importing of petroleum as an alternative to the uncertain deliveries from Russia (via Ukraine and Slovakia) will be possible in practice only via Germany. That is why close ties to the German economy should be one of the main principles of macroeconomic and foreign policy engaged in by the CR.

#### Specific Aims of Macroeconomic Policy in the SR

The current starting position of the Slovak economy is, overall, worse than that for the CR, and the negative impacts of dividing the CSFR will be felt relatively more. That is why, in the SR, greater modifications of macroeconomic policy will be necessary in the face of all of its general principles for the second phase of economic reform. On the other hand, it will be in the interest of the SR for its macroeconomic policy not to deviate too much from the macroeconomic policy of the CR because this could complicate the realization of agreements on a customs union, on a currency union, and so forth. The prudent dosing of macroeconomic policy instruments under complicated conditions, following the independence of the SR, will, therefore, be an extraordinarily demanding task.

The bankruptcies of unpromising state enterprises could be regulated in a similar manner as those in the CR. However, the growth of unemployment resulting from them, together with its currently high level and the inevitable increase as a consequence of dividing the CSFR, could lead to serious social problems. It can be anticipated that the macroeconomic policy (mostly the fiscal policy) of the SR will have to prevent this threat by financing special programs aimed, for the most part, at developing the infrastructure and at slowing down the conversion of armaments production, even at the price of deficit financing.

Such measures would naturally intensify the already significant deficit nature of the state budget of the SR. Financing the deficit through the issuance of state bonds would mean siphoning off free monetary means and would result in yet a further decline in overall demand and production; moreover, bonds are essentially emoluments that would have to be paid for from future (problematic) proceeds. The across-the-board specific restriction of budgetary expenditures can also not represent a suitable and adequate solution. It is likely that the threatening deficits in the state budgets of the SR will have to be partially covered by the inflationary issuance of money, which will unavoidably bring about a separation of the common Czechoslovak currency.

#### The Devaluation of the Slovak Currency

Another serious problem for the economy of an independent SR will be the high negative side of the balance-of-payments ledger, which will become still further exacerbated by taking into account the negative balance of trade with the CR. Despite the fact that it is hardly possible to figure on adequate financial or credit support from abroad, the macroeconomic policy of the SR will have to solve this problem either by restricting imports (for example, by increasing the import tariff, which is, however, a nonsystems measure that is only usable on a temporary basis) or by devaluating the Slovak currency following the division of the common Czechoslovak currency. To the extent to which this devaluation were to be accomplished in 1993, it would be adequate if its extent were, for the time being, approximately 15 percent; however, in 1994, a devaluation of 30 percent would be required (that is to say, from the current Kcs28 per \$1 to more than Kcs36 per \$1). The rate of exchange of the Slovak koruna with respect to the Czech koruna would then be approximately 1.5:1. However, it is necessary to note that the synergistic effect of several unfavorable factors (deterioration of the overall economic situation in Slovakia, the possibility of social and political destabilization, unfavorable external conditions) could bring about a serious decline in confidence in the Slovak currency, which could compel a substantially greater degree of its devaluation.

In the opinion of several economists, the most rapid division of the common Czechoslovak currency is desirable for the SR so that it could make use of the devaluation instrument within the framework of its macroeconomic policy. Apart from solving the problem of the negative balance of payments, this instrument could contribute to an increase in production and a decline in unemployment, even though it might be increasing inflation, which, under the given conditions in the SR, however, looms as the lesser of the evils in comparison to high unemployment.

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Macroeconomic policy has a two-way connection with the policy of macroeconomics—that is, with the solution of substantive problems that take place mostly in the enterprise sphere and in the commercial banks in a market economy; a significant role in this is also played by the conduct of individual households. Macroeconomic policy creates the framework that outlines and indirectly gives direction to macroeconomic processes. Their cumulative effect then yields macroeconomic results, which creates feedback for the flexible reaction on the part of macroeconomic policy to changed conditions.

In this contribution, we indicated the possibilities for the application of the general principles of macroeconomic policy to the current conditions existing in the CR and the SR.

We note that recommendations of this type can only be orientational in nature. They cannot go into detail, and they need to be modified in the event conditions change.

**Ibrahimi on Ethnic Albanians in Macedonia**  
*93BA0369A Skopje PULS in Macedonian*  
*10 Dec 92 pp 17-19*

[Interview with Sami Ibrahimi, deputy chairman of the Democratic Prosperity Party, by Mirce Tomovski; place and date not given: "First Person Plural"]

[Text] *Sami Ibrahimi, Democratic Prosperity Party [PDP] deputy chairman, remains in the eyes of the public, particularly after the Bit Pazar riots. Mr. Ibrahimi's rating in the media "rose" after the statement he made on Mega, the Greek television station, on the nonrecognition of Macedonia because of the Bit Pazar events. In a discussion with PULS, Ibrahimi rejected all charges of political extremism, saying that he is a "democrat, humanist, and cosmopolite, to whom any chauvinism is alien." He is also a professor of English and has previously worked as a journalist at the newspaper FLJKA E VLAZERIMIT. He is a linguist with several works published in the field of linguistic communications in the Balkans. He taught English also at the university in Pristina and, after the university was closed, has taught privately in Kosovo. For the benefit of PULS he described his own experiences of the events at Bit Pazar on 6 November. He explained his statement made to Greek television and named the reasons for the inequality of Albanians in Macedonia. He spoke of his concept of democracy in Macedonia, on the police, the government, the parliament, the media, and on relations with Albania and Greece....*

[PULS] Mr. Ibrahimi, you were born in Skopje in the Jaja-Basa Mosque District. What were your feelings at the time of the Bit Pazar riots, as an intellectual and now as a politician and member of the PDP?

[Ibrahimi] We are still not living in a democracy. I shall begin my answer by quoting Lincoln's definition that democracy belongs to the people, that the government comes from the people, and that the government is for the people. If we accept this, then we can indeed speak of democracy in our country. I do not favor the harming of anyone. The events in Bit Pazar were what they were. They ended with broken shop windows, overturned police cars, and damaged buses. I do not justify this. However, what happened subsequently, in the area inhabited by a large number of Albanians, could have been avoided. I personally, accompanied by four PDP activists, went to the police precinct. We asked the commander not to take any action but to try to calm the situation down jointly with us. There were no longer people demonstrating at Bit Pazar or in the marketplace. We were rudely rejected. We were even threatened with a bullet in the head.

Believe me, there were no longer any demonstrators, yet anyone who moved was fired at! There were four dead in a single action. I believe that this could have been settled differently. The culprits for the breakage and for the overturned cars could have been found. But why is it that for just a few cigarettes police sticks were used at Bit Pazar but not at the Tobacco Combine in Kumanovo, in Prilep, or at Makedonia Tabak? Those responsible must be identified! Who is to be blamed now? Is it Sejdij, and was it he

who questioned the integrity of Macedonia, or else were those situations provoked by senior officials in the big enterprises?

[PULS] It is true that a law-governed state must also be efficient when it comes to abuse by official police authorities while attempting to find the roots of the black market? But would such a solution involve events on a public street and a crowd of 3,000 people? Or else, if you wish, when we take an ordinary and everyday black-market event you, with your statement on the nonrecognition of Macedonia, considering the very delicate situation in which the state finds itself, have ascribed to this event a political dimension. This could have been the fuse that detonated internal interethnic conflicts. Do you agree?

[Ibrahimi] I understand what you are saying. But who is the detonator? The detonator must be found. Who is creating such detonators in our multiethnic society? Or else who lights them up? The crowd, when one can see that it was a 15-year-old child who was beaten up, about whom the minister of police stubbornly claimed that he was 19, was truly angered. I am against beatings and violence. The reaction of the crowd was not right, considering that control apparently was lost in the high outburst of emotions. However, two weeks after that event, once again a 14-year-old child was beaten up, an Albanian, at Bit Pazar. Why is it that children engaging in the black market in Berovo, Prilep, or Strumica, for instance, are not being beaten? I am against beating people. Why are the main black marketeers and resellers not apprehended?

[PULS] In our country even an ordinary case of black-market involvement and most ordinary occurrences of theft could assume an interethnic aspect. However, the steps that are being taken are not because someone is Albanian or Macedonian, but because he is a black marketeer. The problem of the black market cannot be settled with beatings. But why was it necessary for this entire event, which is actually trite, to become politicized?

[Ibrahimi] Could it be that only Albanians are involved in the black market? I believe that the issue does not affect exclusively the police and the resellers. We must blame, above all, the social order. We wish to God that there could be no black market or resellers, and that we could live like Europeans. We must make joint efforts to eliminate the black market. How long do we have to consider the police as an enemy of the people? I know that the police do not dare to be the enemy of the people. They must be respected as the authority that maintains public order. One must respect the uniform regardless of who wears it, be he Albanian, Turk, or Macedonian.

[PULS] You have still not answered the question of the major politicization that was made with your statement on the subject of the Bit Pazar events. As a politician and intellectual, this puts you in the position of an extremist in the party of which you are a member, and even beyond it.

[Ibrahimi] I am familiar with the word extremism, but it does not apply to me. I have nothing in common with extremism. I am cosmopolitan. I love my people. I will continue to love my people and to respect other nations,

for only thus can I be a patriot. I have always worked for a rapprochement and not for the alienation of the people. We have been living together for decades, and we shall continue to do so. We are not on the verge of a small war, and our attitude may be due to the fact that we are at the start of a new democracy.

[PULS] You have still not answered the question.

[Ibrahim] In general, I do not agree that my statement is extremist. What I have said is already public knowledge, and I have said it in parliament and in my discussions with the president of the Republic. As far as their rights are concerned, for the time being the Albanians are not satisfied. I have said that they are discriminated against. The murder of even a single person is the highest degree of discrimination. You mentioned the politicizing of the statement. My statement was politicized perhaps because it was made in English. I did not say that Macedonia should not be recognized, but that our view concerning the recognition of Macedonia should be considered because of events, not only those that occurred at Bit Pazar, but also in Radolista and elsewhere. When I made that statement, I must admit, I reacted emotionally. This occurred after I visited the families of those who were killed. Other than that, our party program includes the recognition of the Republic of Macedonia. We are in favor of it, but only after the demands of the Albanians, democratically presented to parliament and to the president of the Republic and the government, have been accepted and implemented. Such demands, regrettably, are unfamiliar to the public. They deprive the Macedonian people of absolutely nothing.

[PULS] It cannot be said that the demands are not known. You are saying that you are a democrat and that you favor dialogue. However, your formula that "Macedonia will be recognized providing that..." which was voiced in a sensitive political situation and on the key political question of the condition in which Macedonia finds itself, nonetheless opens the question of the extent to which you are a democrat and to what extent you are loyal to the state in which you live. This sounds either like extortion or like setting conditions.

[Ibrahim] I shall repeat that I am a democrat. I believe that it is only democratically, through democratic means, peacefully, through dialogue, that problems can be resolved. We are not setting any conditions. We are simply asking guarantees for all this. We are aware of the fact that the demands cannot be implemented immediately. That is why such a guarantee must be issued by an international authority so that the recognition of Macedonia may begin by meeting the demands of the Albanians. Regrettably, so far there has not been even a single indication of goodwill to the effect that our demands will be met. For that reason we no longer believe, for example, that we will be given back some of the rights we used to have. On one occasion I told the president of the Republic that the people are asking how is it possible that under communism we had more rights than we have now? The president of the Republic promised that such rights will be increased.

[PULS] As far as the guarantees are concerned, are there any guarantees greater than the Constitution and the policy of coexistence? We witness here, nonetheless, a disloyalty to the community to which one belongs. Could you enlighten us on this matter, Mr. Ibrahim, and, if possible, tell us what the demands are that are being made by the Albanians in Macedonia?

[Ibrahim] Loyalty, indeed, is to be praised. First among our demands is school instruction on all levels. We shall not give this up. Then, there are three television channels, but there are only four and a half hours weekly of programs in Albanian. We need more broadcasts of serious programs for the Albanians, the Turks, and others. Albanians in Macedonia also need a daily newspaper. However, the publication of a daily newspaper, about which there has been talk for years, does not mean to close down NOVA MAKEDONIJA or VECER, but, in addition to them, to have a daily newspaper in the Albanian language. As to coexistence and equality of citizens in Macedonia, here is what I think. Let me speak figuratively. We do not wish to play the role of wax figures in a museum. We are living beings in Macedonia, and we shall contribute to the recognition of that state, even if it is for the Macedonian people only. However, if we are treated like wax figures, this would not be possible. In all directions in the development of the Albanians in Macedonia, the traffic light remains red. This means that one is unable to enter the democratic highway and jointly travel toward the so greatly desired Europe. The light must turn to green for the Albanians and for their accomplishments, for it has remained red for 45 years or even longer.

[PULS] I do not understand why they have the feeling of being treated as wax figures when I think, for instance, of all the national parties and associations organized by Albanians, your participation in the free multiparty elections, the 23 seats you hold in parliament, the seats you hold in the local governments and individual opstinas, and, inasmuch as possible, your equal participation in the various institutions of the system where you can raise issues that are of interest to the Albanian collective, in harmony with the constitutional equality they enjoy as citizens of the state....

[Ibrahim] Unfortunately, we are still being treated like wax figures. It is accurate that today we have all those representatives, but had the electoral law been drafted differently, we could have had 50 percent more representatives. It is when there is a parliamentary vote that such representatives act like wax figures! In the matter of the Constitution, no single Albanian amendment has been passed, although it was democratically formulated! In terms of some laws as well a green light should be given, such as, for instance, on statehood. To some people these laws have been given a green light and to others they have a red light! This is not democracy!

[PULS] Amendments to the Constitution submitted by others were rejected as well, and it was not because of their ethnicity. As to the Law on Citizenship, opportunities would have been greater had you participated in the debates on the law. Otherwise, for the time being the green

and red lights exist for all, for all of us are deprived of democracy as citizens, for reasons of political, social, economic, and social restrictions, and not because someone may be Albanian or Macedonian.

[Ibrahim] Everyone is limited, but this is felt more strongly by Albanians.

[PULS] Could you be more specific?

[Ibrahim] Well, let us say that only 10 percent of the Albanians who graduate from secondary school pursue their education, while the other 90 percent keep walking around the flea markets or the marketplace, going to Tetovo or waiting with impatience to be issued a passport to leave the country. Or else, let us assume that Macedonia is 25-percent Albanian, and, according to official reports, no more than 4 percent of them are employed in the public sector. The Macedonian police is only 1-percent Albanian. This applies even in Tetovo, where Albanians account for more than 80 percent. There are no Albanians in the Macedonian armed forces, either as officers and, even less, as privates.

[PULS] Why is it that Albanians do not join the Army, Mr. Ibrahim; why are they not present in the police, like their Macedonian fellow citizens? It is you who should answer such questions.

[Ibrahim] This is not good. We want to be included in all segments and on all levels of democratic life of this state. Young Albanians who have competed for joining the Macedonian police were rejected, and there are no Albanians in the armed forces. Let us remember that in Ohrid two Macedonian soldiers threatened an Albanian that if a single shot would be fired in Kosovo or in Macedonia, they will kill them. The people are afraid, and this fear is widespread. As to myself, personally, I do not believe that the Macedonians as a whole share such feelings.

[PULS] Why then do you not tell the Albanians, through the PDP, that such is not the case, and why do you use a single example to draw general conclusions?

[Ibrahim] No, these are not general views. I believe that not everyone thinks that way. But how are we to convince the people? I have appealed on several occasions to young Albanians to join their Army, to consider it as their own. However, such an incidence has influenced Albanians to mistrust, to be afraid to don the uniform which, otherwise, they should be entitled to wear. Without a strong and united army and without a strong and united police there can be no state. The military uniform must be respected as the defender of the state, regardless of who wears it. This applies to the police as well. We must honor the uniform and only then the person. All of us must work to achieve this. We have requested on several occasions, for example, that an Albanian be given a higher position in the police station in Bit Pazar. All of us must make an effort to provide conditions for equality. I repeat all and, above all, the majority.

[PULS] In your view, what are the other areas in which you believe that the Albanians are not treated as equal citizens?

[Ibrahim] In culture, for instance. We have one publishing house, Fljaka, and only few published titles. In terms of overall publications in Macedonia, this is little. There are nine professional theaters in Macedonia, but not a single Albanian one in Tetovo, Gostivar, or Debar.

[PULS] Authors of Albanian nationality are published in Macedonian as well. As to the fact that there are no theaters in the cities you mentioned, I agree, this impoverishes everyone—not only the Albanians, but also the Macedonians, the Turks, and the Gypsies who live there.

[Ibrahim] Yes, everyone is impoverished. No Albanian is a member of the Academy of Arts and Sciences. Not a single Albanian is a member of the highest Republic institutions, not even as a guard or a sweeper.

[PULS] Does this mean that you are in favor of restoring what you described as the old Red ethnic key positions?

[Ibrahim] No, I oppose this. I do not wish for Albanians to participate in such institutions in which they played some kind of key position, but to have Albanians contribute to the enrichment of the cultural and scientific values in Macedonia. This will prove to the world that Albanians and Macedonians are equal in all areas. That is how we must solve the problems together, with goodwill and reason.

[PULS] If such is the case and we decide for ourselves where to live, why are you asking for international guarantees, the mediation of Europe, and so on?

[Ibrahim] The fact that Macedonia will become part of Europe without Albanians being fully equal is an illusion. Yet nothing is being done in this respect. That is why we shall have demands until we are confident that we shall indeed be equal, democratically, both socially and institutionally. The Albanians will trust the Macedonians after all the possibilities have been explored. Until then, we shall hold discussions, we shall be seeking joint decisions, and I agree that the best thing would be for us to resolve our problems by ourselves, jointly.

[PULS] How do you assess interethnic relations presently? Have they reached a critical limit?

[Ibrahim] Nothing is too critical to resolve. I do not believe that we have reached the level of hatred so that we are looking at each other through gun sights. I believe that neither Albanians nor Macedonians want this. We do not dare to mention the events of Bosnia; we do not dare even to think of them. That is why I say the interethnic relations have not reached a critical level and that this level must reach a below-zero point. It cannot be said that there are no extremist groups, be they Albanian or Macedonian, but these are only isolated individuals. That is why I believe that the state should be a civil rather than a nationalistic state. The fact that someone is a member of a given ethnic group, within the Macedonian nation, should not grant him more rights and grant others fewer rights. The Albanian people must be a constitutional part of a civil state in which everyone is equal.

[PULS] However, it is difficult to accept your qualification that this is a nationalistic state. The state does not discredit anyone. It does not create conditions for hatred. It does not belittle people based on their ethnic affiliation. It is noted for the aspiration to have the Macedonian people express their own identity without claiming that the state either belongs to no one or to a specific group. Otherwise, Mr. Ibrahim, how do you interpret what you said in a foreign newspaper that if the request for equal status for the Albanians is not met there will be civil war and civil conflicts and so on, in contrast to your statements about peace?

[Ibrahim] As a democrat I have always been and still am opposed to war and have never said anything of this nature. I want problems to be resolved peacefully. That is why I deny having made such a statement, for war cannot bring anyone anything good or any freedom. It is a defeat for all. In a war everyone is a loser, and all of us have seen what war in former Yugoslavia has brought. Conditions must be created for every one of us to feel part of our joint fatherland, regardless of ethnicity or religion.

[PULS] Mr. Ibrahim, why do you reject the ethnic aspect? You do not accept it now? In that context can you explain your statement that one of the factors implying the status of a nation is the demand for the creation of a so-called Greater Albania?

[Ibrahim] Nowhere is anything written about Greater Albania in my party's program, nor has unification with Kosovo been mentioned. The term ethnicity does not mark any development of our position but is a manifestation of what was previously known as nationality. I feel that I am a member of the Albanian people who live in Macedonia and that I am not part of the Albanian people who live in Australia, the United States, or France. I believe that there is no harm in being accepted as a nation, for minorities are only those who live in the diaspora. Take the example of Switzerland. In Switzerland Italians are a smaller group but are a structural element of the Swiss State. In that state all of them feel equal, and no one is prevented from living a good life.

[PULS] Macedonia is not Switzerland.

[Ibrahim] Why should it not be?

[PULS] Because Macedonia has a different history, tradition and culture, and was created under different social circumstances. If we are to consider Switzerland as synonymous of good life, then I would accept it. Otherwise, we would be dealing with two different political situations. Actually, I believe that you must agree that the division into cantons and the adoption of the Swiss example in Bosnia are clearly having a tragic outcome. As to national affiliation, this does not involve inequality, for the Constitution guarantees the rights of groups and the rights and freedoms of citizens. It would be interesting in this context to hear your views on the possibility for autonomy or granting special status to the Albanians in Macedonia.

[Ibrahim] First of all, I agree that everyone must be equal. However, in our country all sorts of positions are being

excessively politicized. I would like to stress that the best would be for all of us to live together and to feel that this country is ours. I believe that no one is against its recognition. As to any autonomy or special status, I do not support any kind of autonomy within Macedonia. I have never asked for it either as an intellectual or as a humanist, and I am against the drawing of any kind of borders for any kind of new countries, and so on. I believe that we must concentrate on the solution of economic problems, which would lower political and national tension and, in that sense, I support Prime Minister Crvenkovski. We did not withdraw from the government in order to destabilize it. The problems must be discussed in the parliament. All 120 representatives must remain aware that they stem from the people, that they work for the people, serve only the people, and are answerable to the people. The Macedonian Parliament must promote political dialogue and not a kind of Hyde Park situation where everyone can stand up and say whatever he happens to think about. The people must be responsible for what they say regardless of whether they are Macedonian or Albanian.

[PULS] Do you personally feel responsible for your actions and statements? For example, on the basis of what you have said it would have been possible to open in Macedonia, from the outside, a "Southern Front"?

[Ibrahim] It is difficult for anyone to distance himself from responsibility for war and peace. The party's leaderships are most responsible in this case.

[PULS] You said at one point that the Bit Pazar events were deliberate, provoked for the sake of triggering the international recognition of Macedonia!

[Ibrahim] Such statements may be interpreted two ways: Either that such events are aimed at having the international public recognize Macedonia, or, precisely because of them, to withdraw recognition!

[PULS] You have already said that you have had numerous contacts with foreign newsmen, while your contacts with the Macedonian public are infrequent. Why?

[Ibrahim] I have had frequent contacts, but I have always been careful not to say anything detrimental. I weigh my words. Here, in Skopje, I live not only with Albanians but also with Macedonians and Turks. I see to it that in my contacts with my friends I am always careful about what I say. That is why it was very difficult not only for me but also for my family to accept what the Macedonian information media wrote about me. Nonetheless, I will prove that I am a democrat and a cosmopolitan person, and no one can make me think otherwise.

[PULS] And also that you belong to a party that is described as a civil party. Do you not believe that there is a disparity between your wish and reality?

[Ibrahim] The PDP is a civil party. That is what it will remain, and it will observe what is stipulated in the program adopted at the First Party Congress. There is nothing nationalistic or chauvinistic in it. Unfortunately, the documents could not be implemented as we contemplated.

[PULS] It is being claimed that there is within the party a "hard" and a "soft" line. To which do you belong?

[Ibrahimi] I do not think that there is such a division. There are differences, however. There are people who act differently from the leadership and from the program. They do "hard" work, and some of them do not wish to listen to our insistence that one must follow the program. This, for example, applies to the schools. We told them strictly that children could attend regular schools as attended by all other children.

[PULS] What is your view on relations between Macedonia and Albania? Why does Albania not recognize Macedonia despite all the statements made by Berisha?

[Ibrahimi] I trust that Albania will know how to organize its work and, when the time is right, it will recognize Macedonia. Naturally, providing that the rights of Albanians are guaranteed. Macedonia needs Albania, but Albania as well needs Macedonia. Such cooperation will calm down emotions once the politicizing of petty matters becomes impossible.

[PULS] How do you rate the attitude of Greece concerning the recognition of Macedonia?

[Ibrahimi] I try to study the policy of the Greeks. I do not know why Greece is bothered by the name Macedonia. As far as we, Albanians, are concerned, we have never thought that the name of Macedonia should be changed. We have always accepted Macedonia as it is. We have said this in parliament as well.

[PULS] Your answers concerning the recognition of Macedonia include a conditional but!

[Ibrahimi] Yes, but unfortunately I cannot ignore it when people come to the party headquarters in Skopje to complain. I would be very happy not to have to use this word.

[PULS] Finally, you owe me an explanation in connection with a statement made in FLJAKA to the effect that PULS is using the Serbian language.

[Ibrahimi] Having been a newsman, I know that this newspaper, which I otherwise read and value, includes sections in which matters are presented differently. "Casa Blanca" comes to mind. It is not a problem for me to be written about, but I am being misinterpreted, and this is being done in some kind of distorted semi-Serbian dialect. Why not write in Macedonian? That is why I said what I said. But, in order not to be misunderstood, I do not oppose those sections in the newspaper.

#### Political Problems in Macedonian Town

93BA0361A Skopje VECER in Macedonian 3 Dec 92 p 8

[Article by T. Naumcevski: "The Lion Cub Chased Away the Municipal Advisers"]

[Text] Although the impression is that it is not a question of a classical blockade of the work of the Assembly, nonetheless the 12th Session has been postponed several times.

Is there a split within the VMRO-DPMNE [International Macedonian Revolutionary Organization-Democratic

*Party for Macedonian National Unity] party in power, and will the prefect and his deputy be replaced?*

*Inasmuch as the official seal of Macedonia is valid, no one has the right to toy with it, according to Assembly Chairman Ilija Dimoski.*

It appears that the Prilep Assembly is catching a "pluralistic fever," the consequences of which are beginning to be felt in several other republic opstinas. For the time being at least, the "virus of the assembly disease" has still not been clearly diagnosed in the city dominated by Marko's towers. However, the symptoms are more than obvious and are becoming increasingly acute, and the consequences may be serious for the city and its citizens....

The Republic's parliament held its historic 41st Meeting. The Skopje Assembly held its notorious 8th Meeting, and the people of Prilep, unlike those of Skopje, were able to reach 12 but stopped there.

#### Politicking or...

Everything started slightly over a month ago. The first postponement of the 12th Prilep Opstina Assembly was for lack of a quorum. Precisely, on 28 October, in the Assembly Hall, all assemblymen (of a total of 60) were present other than those of the largest political party in the city, the VMRO-DPMNE (33). No one knew or was unable to explain the reason for their absence. In any case, Chairman Ilija Dimoski acted according to the rules and the meeting was postponed for 3 November. Dragan Trejkoski, the VMRO coordinator, asked for "coordination" in connection with four items of the agenda that his group of representatives asked to be discussed at the next meeting....

Nor was there a meeting on 3 November. The reasons are familiar, as explained by the coordinator of the second most powerful party in the city, the SDSM [Social Democratic Alliance of Macedonia] (10 delegates), Vladimir Karadzioski:

"The usual question asked by Chairman Dimoski as to whether the meeting could open was interrupted with a point of order by our party's chairman Dimce Nasteski. He had noted that the iconography in the hall had been changed (the state seal was 'embellished' by adding the popular lion cub instead of the five-pointed star) and asked that this provocation be eliminated. Chairman Ilija Dimoski asked the 'perpetrator' to 'restore the old order,' but ever since it had been noted that the five-pointed star was not to be found under the cub, he had no choice but to postpone the session...."

This was later followed by denials and reciprocal accusations exchanged between the VMRO-DPMNE and the SDSM concerning the cub and the five-pointed star. To this day no one has "admitted" to be the author of this incriminating action, and last Wednesday the session was almost postponed once again.

"The reason was the urbanization plan for the city," said SDSM Coordinator Vladimir Karadzioski. "Or, to be more accurate, the VMRO-DPMNE delegates noted that the

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text of the urbanization plan had been drafted in the Serbian language and written in Latin characters and demanded that 'that provocation' be immediately removed from the chamber...."

We asked our interlocutor whether, in his view, it was a question of obstructing the work of the Municipal Assembly, or was it something else?

"It seems to me that this is not a classical blockade for the simple reason that the VMRO-DPMNE has the majority in the assembly (33 votes) and can pass any resolution it wants, whereas the remaining parties (SDSM, 10; RS LP [Reformist Forces-Liberal Party] 9; SP [Socialist Party] 5; and SDP [Social Democratic Party] 3) have no way whatsoever of influencing any resolution even if their representatives fail to attend the meetings. I also think that it is a question of a rude, an irresponsible attitude by individual delegates, namely those belonging to the VMRO-DPMNE. Here as well the rule applies: If you want your motion to 'pass,' formulate it in a negative way. A number of motions have not been submitted to the Assembly although they pertain to improving life in the city and are being rejected only because they were suggested by the 'opposition.'"

### Party Agitation

Most of the people with whom we spoke in Prilep agree with the views of Vladimir Karadzoski. They are virtually unanimous in the view that these events are the result of internal ferment within the VMRO-DPMNE, the party in power, although this has been categorically denied by that party's leadership and members. The Prilep head of the VMRO-DPMNE even claims that "not only is there no division within the ranks of his party, but there is unity in everything, and the resolutions that are passed with a convincing majority are supported by all party members...."

Whereas, on the one hand, chairman Petar Trajkovski speaks of unity and cohesion within the ranks of his party, on the other hand we find a contradiction in the answer to the question of why his party's coordinator in the City Council was replaced. The chairman of the VMRO-DPMNE says that "his party passed a resolution on this action one month ago," and the reason given was his state of health and insufficient activity. Asked whether there was any truth to reports that there is disagreement with the opstina chairman and deputy chairman, and that they had even been expelled from the party's Executive Committee, Trajkoski answered as follows:

"Some changes and expulsions may be taking place or are being prepared. However, should there be any changes we shall issue an announcement and inform the public when it comes to that. Otherwise, anyone who puts his personal interests above those of the party must leave the VMRO-DPMNE...."

### Man of the City

City Prefect Ilija Dimoski was the last person we asked in testing our knowledge of the work of the Assembly and matters that pertain only to himself and relations within his own party.

Motivated more by attentiveness than "courtesy," chairman Ilija Dimoski tried to disprove individual views, especially those related to relations within his own party. He said: "We shall discuss this on another occasion, when matters reach their final stage...." However, he was totally unable to avoid "provocative" answers even when discussing "other matters." Here is what he thinks concerning this notorious lion cub, which was the reason for postponing the Assembly session:

"Let us understand one another. As a member of the VMRO-DPMNE I am the strongest supporter of the cub. You will see it in my office as the main decoration, and I would hang not one but 10 such emblems in the chamber.... As to the fact that I closed the meeting because of the cub, I think that I was right. The official seal of Macedonia still includes the five-pointed star, and this symbol remains a sign of respect regardless of whether some individual or some party dislikes it...."

As to the "conflict" involving the reception center for refugees from Bosnia, Dimoski believes that someone has tried to manipulate the thinking of the citizens.

"The people of Prilep spontaneously came out to demonstrate, and it was my job to explain to them that they have no reason to do so, for I had already been notified by the government that no resettlement of refugees from Bosnia in the city's barracks had been planned. The way this may have been interpreted by some people is their own business. What matters to us is not to mislead the people."

Nonetheless, we asked Chairman Dimoski whether there have been remarks on this issue, even some coming from his own party?

"This is the work of isolated individuals, which does not mean that such is the party's thinking. There have been remarks that my personnel includes communists, socialists, and reformists.... This is the same as employing members of the VMRO. As long as I am chairman, anyone who has the desire or need to serve will be a member. This is because I am the prefect of the city and not of party-oriented (VMRO-DPMNE) citizens. In the final account, I do not know why my views would conflict with the policies and views of my party...."

### Macedonian Minister Trpeski on Banks, Economy

93BA0359A Skopje NOVA MAKEDONIJA in Macedonian  
4 Dec 92 p 3

[Article by B. Crvenkovska, including interview with Minister Ljube Trpeski; place and date of interview not given: "We Have To Pay for Overhauling the Banks Ourselves"]

[Text] Conversation with Ljube Trpeski, minister in the government of Macedonia.

The majority of the so-called dubious or problematic claims on the banks must be transferred into the budget and is the burden of the taxpayers, Trpeski thinks.

At the order of the previous government, the Macedonian Academy of Arts and Sciences [MANU], in collaboration with several university professors and academicians, last

spring developed a project entitled "Strategy for Adjustment and Development of the Macedonian Economy." It contains several subprojects that concern individual segments of the economy, such as the sectors of private property, the tax system, market movements, technological development, and others. One of them is also a plan for overhauling and dealing with the problems of the banks in Macedonia, which the former professor of the Department of Economics in Skopje, Dr. Ljube Trpeski, a current minister in the government of Macedonia, is preparing. Because of the great interest on the part of the Macedonian public concerning the current state of the banks and lost currency savings, and towards the current promotion of the entire plan at MANU, we discussed this subject with Minister Trpeski. A possible confirmation of the degree of success of this plan is the fact that the European Bank for Reconstruction and Development has translated it into English and already is using it, and likewise parts of it have been turned into the contribution for Macedonia in the November issue of the respected economic magazine JUROMANI.

[Crvenkovska] Mr. Minister, basically what does your work consist of, and what is its goal?

[Trpeski] The problems that the banks in Macedonia are encountering are treated in this study, and certain solutions for overhauling the banks are offered. It is known that the banking system in the Republic of Macedonia during the past period shared the fate of the Yugoslav system as a component part thereof. The inefficiencies of the economic system, in particular that which was inaugurated in the 1970's in the monetary-credit and banking area, were reflected in the formation of the so-called Banks of Union Labor, where the very beneficiaries of the credit, as illogical as this appears, created the conditions under which they used the credits. In conditions where the banks were treated institutionally and legally as a service of union labor, it was hardly possible to expect the banks to operate on the principles of market economics.

Logically, as a consequence of ignoring the basic principles of bank operation—profitably, stability, economy, and liquidity, as well as security of investments for a long period of time, and more broadly as a result of an economic system that was able to exist only in conditions of inflation, today the majority of the banks in Macedonia and in the other countries that arose as a result of the disintegration of the SFRY [Socialist Federal Republic of Yugoslavia] are technically insolvent.

According to certain evaluations made by an international institution, the potential losses at the level of the former

Yugoslavia amount to \$12.5 billion, and at the level of Macedonia around \$650 million.

[Crvenkovska] The majority of the banks now are constituted as stock companies. Has this improved the situation at least a little?

[Trpeski] The question is very apropos; however, unfortunately, the answer is very negative. The financial condition of the banks, even with their constitution as stock companies, is not improved, and the operation of the banks on the principles of market economics to a great degree is limited. Even recently the operating expenses of the banks have increased significantly as a result of several factors, including and because of the setting aside of a mandatory reserve, and then the expenses that result from the currency deposits of the citizens. Significant expenses also result from the fact that a good part of the loan placements of the banks, because of bad judgment or different pressures, were directed by beneficiaries from whom they can never be recovered. When all this is taken into account a clear picture of the condition of our banks is obtained.

The good businesses suffer most in these conditions since the banks cover expenses primarily from them, but in this way even a healthy economy is drawn into the whirlpool of nonliquidity. Likewise an important limiting factor for profitable operation of the banks is the fact that the basic founders of the banks, as a rule, are the largest beneficiaries of credits and the greatest debtors. Because of this practice even today, in spite of the changed legal regulations, the banks still are exposed to great risk in their operations. The stockholders who also are the chief debtors have seen to it that the basic goal of the operation of the banks is not to make a gain, that is a profit, as is normal for any bank in a market economy, but to satisfy the credit needs of the stockholders.

[Crvenkovska] Obviously, this situation has to be changed. Where do you see the basis for the reforms in the banking system?

[Trpeski] All this leads to the conclusion that radical reform in banking is not possible without radical reforms in the economy. At this moment, when chief founders of the banks will be the economic entities that have a surplus, which have decided to invest their capital in the financial sphere instead of the real sphere, then the basic goal of the function of the banks to achieve a profit may be reinstated. In the meantime, such a bank should undergo a fundamental reform that would encompass the economic and the entire monetary-credit and banking sphere. The passage of laws that will regulate these areas will precede the reforms, but up to now only the law for the Central Bank has been passed. All other laws are still on the waiting list for the Assembly.

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JPRS-EER-93-004  
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The proper overhauling and restructuring of the banks will be carried out when it is possible to form new balances cleared of all the unreimbursable claims, balances that will correspond to all international standards adopted in the banking industry, taking account of the structure of the assets of the banks. The formation of new beginning balances has to begin with a new evaluation of the assets of the banks, and in the new percentage balances of the banks the assets must include only the accounts that may be used to create revenue, so that the banks may truly become profitable.

In my opinion, the majority of the so-called dubious or problematic claims that are transferred to the budget, that

is at the expense of the taxpayers, require overhauling. Therefore, ultimately we will have to pay for all the current inefficiencies of the economic system. The work of the budget policy is to properly distribute the budget load among the taxpayers in the time period necessary for complete overhauling of the banks.

[Crvenkovska] Do you have an estimate of how long this period will last?

[Trpeski] If the Republic takes over the entire debt from these problematic claims and the currency debt, then surely 10 to 15 years are necessary.

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